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OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 6 December 2019 at 10.00 am

Rooms 1&2 - County Hall, New Road, Oxford OX1 1ND

Yvonne Rees
Chief Executive

November 2019

Committee Officer: ***Deborah Miller***
Tel: 07920 084239; E-Mail: deborah.miller@oxfordshire.gov.uk

Membership

Chairman – Councillor Kevin Bulmer
Deputy Chairman - Councillor Nicholas Field-Johnson

County Councillors

Ian Corkin	John Sanders	Alan Thompson
Mark Lygo	Roz Smith	
Charles Mathew	Lawrie Stratford	

District Councillors (Co-optees - Voting)

Alaa Al-Yousuf	Jo Robb

Notes:

- ***A lunch will be provided for members of the Pension Committee and Pension Fund Managers***
- ***Date of next meeting: 6 March 2020***
- ***Hymans Robertson, the Fund Actuary will give a training session on prior to the meeting on the 2019 Valuation process, starting at 9.30 am in the meeting room***

Declarations of Interest

The duty to declare…..

Under the Localism Act 2011 it is a criminal offence to

(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or

(b) provide false or misleading information on registration, or

(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned…..".*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes"*any employment, office, trade, profession or vocation carried on for profit or gain*".), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 10)

To approve the minutes of the meeting held on 6 September 2019 (**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. Minutes of Local Pension Board

10:20

A copy of the unconfirmed Minutes of the Local Pension Board of 25 October 2019 will be circulated separately for information.

6. Report of the Local Pension Board (Pages 11 - 12)

10:25

This report is the report of the Local Pension Board to the Pension Fund Committee in response to the request from the new Chairman of the Committee to have a dedicated item on each Committee agenda where the Committee can properly discuss the work of the Board and any issues identified.

The Committee is RECOMMENDED to note the comments of the Board as set out below.

7. 2019 Valuation and Draft Funding Strategy Statement (Pages 13 - 74)

10:35

This report updates the Committee on the work to date on the 2019 Valuation including the initial whole Fund results and proposes a draft Funding Strategy Statement for formal consultation.

The Committee is RECOMMENDED to note the latest position with regard to the 2019 Valuation and approve the draft Funding Strategy Statement and the basis for formal consultation.

8. Review of the Annual Business Plan 2019/20 (Pages 75 - 80)

11:00

This report reviews the progress against the key objectives set in the business plan for the Pension Fund for the current financial year.

The Committee is RECOMMENDED to note the progress against the key service priorities included within the 2019/20 Business Plan.

9. Risk Register (Pages 81 - 86)

11:10

This report updates the Committee on the Fund's Risk Register, updating the position on risks reported to the last meeting and adding in new risks identified in the intervening period.

10. Administration Report (Pages 87 - 100)

11:20

This report updates the Committee on the latest position on administration issues.

The Committee is RECOMMENDED to:

(a) note the report and changes to reporting for Fire Service Pensions;
(b) agree the changes to the administration strategy;
(c) note change of date for the Pension Fund Forum.

11. Climate Change Policy (Pages 101 - 106)

11:40

This report updates the Committee on the development of a Climate Change Policy in light of the recently held Workshop.

The Committee is RECOMMENDED to note the position on the development of the Climate Change Policy and the establishment of a Working Group to undertake the next stages of the work.

12. Setting Objectives for the Independent Financial Advisor (Pages 107 - 110)

11:50

The Committee is invited to set objectives for the Independent Financial Advisor in line with the requirements of the Order from the Competition and Markets Authority.

The Committee is RECOMMENDED to agree the strategic objectives for the IFA as set out in paragraph 11 of the report, for inclusion in the IFA contract.

13. Overview of Past and Current Investment Position (Pages 111 - 116)

12:00

The Independent Financial Adviser will review the investment activity during the past quarter, present a summary of the Fund's position as at 30 September 2019, and highlight any key performance issues, with reference to Tables and Graphs.

14. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 15, 16, 17, 18, and 19 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of items 16 and 19, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

15. Overview and Outlook for Investment Markets (Pages 117 - 124)

12:10

The attached report of the Independent Financial Adviser **(PF15)** sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally, and any information reported orally will be exempt information.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular *person (including the authority holding that information) and*

since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

16. Adams Street

12:20

The representatives (Ana Maria Harrison & Sergey Sheshuryak) of the Fund Manager will report and review the investments within their part of the Fund. Members will be invited to question and comment.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

17. Annual Review of Private Equity (Pages 125 - 134)

12:50

This report will review the performance of the private equity portfolio over the last 12 months.

The Committee is RECOMMENDED to note the report and to take any necessary action, if required.

18. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Exempt) (Pages 135 - 140)

13:00

The Independent Financial Adviser will report on the officer meeting with Wellington, Insite and UBS, and the latest position on investments with Brunel.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the reports and to take any necessary action, if required.

19. Summary by the Independent Financial Adviser

13:10

The Independent Financial Adviser will, if necessary, summarise the foregoing reports of the Fund Managers and answer any questions from members.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

20. Corporate Governance and Socially Responsible Investment (Pages 141 - 150)

13:15

This item will provide the opportunity to raise any issues concerning Corporate Governance and the Socially Responsible Investment which need to be brought to the attention of the Committee.

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Wednesday 4 December 2019** at **11:00am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 6 September 2019 commencing at 10.00 am and finishing at 12.55 pm.

Present:	
Voting Members:	Councillor Kevin Bulmer – in the Chair
	Councillor Nicholas Field-Johnson (Deputy Chairman) Councillor Ian Corkin Councillor Mark Lygo Councillor Charles Mathew Councillor John Sanders Councillor Roz Smith Councillor Alan Thompson District Councillor Alaa Al-Yousuf District Councillor Jo Robb
Other Members in Attendance:	Councillor Bob Johnston, Local Pension Board
District:	District Councillor Alaa Al-Yousuf District Councillor Jo Robb
By Invitation:	Peter Davies, Independent Financial Advisor
Officers:	Mr Sean Collins, Ms Sally Fox, Mr Gregory Ley and Mrs Deborah Miller (Resources).

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

46/19 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

An apology for absence was received from Councillor Lawrie Stratford.

47/19 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 7 June 2109 were approved and signed as an accurate record of the Meeting.

In relation to Minute 35/19, Mr Collins reported that the Climate Change Workshop would be held on 8 November 2019. The Agenda and invite would be sent out as soon as a suitable location to hold the event had been found.

Councillor Mark Lygo had been asked to put the following question to the Committee on behalf of Fossil Free Oxfordshire:

"The government has recently passed legislation committing the UK to be carbon neutral by 2050, while Oxfordshire County Council has committed Oxfordshire to be zero carbon by 2030 under their Climate Emergency motion.

Obviously, these critical ESG decisions should set the terms of reference for any ESG climate policy decisions that will go into Oxfordshire Pension Fund's new Investment Strategy document to be published in March 2020. Similarly, these government and county-level decisions should set the terms of reference for the climate change workshop. Could the Chair confirm that these ESG climate change red lines are communicated to the climate change workshop facilitator, so any discussions reflect them?"

The Chairman confirmed that the answer was 'yes'.

48/19 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 12 July 2019 as set out in the Addenda for the Meeting were noted.

49/19 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 6)

The Committee had before it the latest report by the Independent Chairman of the Local Pension Board (PF6). Councillor Bob Johnston, a Board Member, spoke to the report on the Board's behalf, which invited the Committee to respond to the key issues contained within it.

In relation to paragraph 7 of the report (value for money from investment fees), Mr Collins confirmed that that the intention was to bring a similar report before the Pension Fund Committee in the near future for discussion.

RESOLVED: to note the comments of the Board and:

(a) note that the Committee would consider the option of investing in the passive low carbon portfolio, and the value for money of active management when is considered the fundamental asset allocation report in March 2020; and

(b) note that the support for mandatory training for Committee Members alongside the introduction of named substitutes was for consideration elsewhere on the agenda.

50/19 IMPROVEMENT PLAN
(Agenda No. 7)

The Committee had before then the latest report which gave an update on progress against achieving the Plan to the date of publication, together with a verbal update regarding final performance against the statutory deadline.

Accordingly, Mr Collins, Service Manager Pensions reported that 99.3% of the active Annual Benefit Statements and 99% of the deferred Annual Benefit Statements had been issued by 31 August 2019, which equated to 18,840 out of 19,000 being issued, and was sufficient to avoid a breach of regulation report, though one employer would be reported to the pension regulator for failure to issue the majority of its Statements.

In respect of data quality scores, Mr Collins reported that the scores from the latest run were 95.3% for common data and 96.3% for scheme specific data, which was at the top end across the LGS funds. The Fund actuary had confirmed that the quality of the data was exceptional.

In response to a question from members regarding fines being relatively low, Mr Collins confirmed that previously fines were bigger and had been determined by the Committee in relation to the size of the employer. However, fines were not to make money and were now set to cover the cost of any additional work that may have arisen and that although the fines appeared small, they did add up and that any fines received went into 'the pot' and reduced the overall cost of the pension fund.

Following debate, Councillor Bulmer proposed and Councillor Lygo seconded and it was agreed, that a formal vote of thanks be given to the pension fund managers and staff for their performance and excellent results.

RESOLVED: (nem con)

(a) to note the latest position with regard to the implementation of the Improvement Plan;
(b) give a formal vote of thanks to Managers and Staff for their performance and excellent results.

51/19 REVIEW OF THE ANNUAL BUSINESS PLAN 2019-20
(Agenda No. 8)

The Committee had before them a report (PF8) which set out progress against the key objectives set out in the business plan for the Pension Fund for the current financial year.

Mr Collins reported that the funds currently managed by Wellington should transition by the end of 2019 to the new Global High Alpha and Emerging Market portfolios, and that after Christmas Brunel would be responsible for managing most of the

Council's money. Accordingly, Brunel was holding an 'Engagement Day' in November for members, details of which would be emailed round to members shortly. Mr Collins requested that the Committee email him with any requests of what paperwork members would find useful in advance of the workshop.

Mr Collins further reported that people were now logging in on line, which meant that they could provide more useful services to its members such as pension projections.

In response to members' questions in relation to paragraph 13 of the report, Mr Collins explained that Dawn Turner had stepped down as Chief Executive to allow for someone with more Investment experience to take the company forward as it moved into business as usual and that the new post would be within the existing management budget.

RESOLVED: to note the progress against the key service priorities included within the 2019/20 Business Plan.

52/19 RISK REGISTER

(Agenda No. 9)

At its meeting in March 2016, the Committee had agreed that the risk register should form a standard item for each quarterly meeting. This Committee had before it a report (PF9) which set out any progress on the mitigation actions agreed for those risks not yet at target and identified any changes to the risks which had arisen since the register was last reviewed. At its June meeting, the Committee asked for a column indicating direction of travel for the risk and a RAG status to be reintroduced, and this was now included in the report accordingly.

Mr Collins explained the RAG rating to the Committee, explaining that red required urgent attention; Amber required oversight and Green meant there was no action required. Given the long-term nature of pensions work, it was possible for the highest rated risks to be scored as green if there was mitigation action underway, and the risk was seen as long term in nature.

Currently, the register showed risk 6 and 13 as Amber and both those issues were being dealt with separately on the Agenda. Currently, there were no red status.

RESOLVED: to note the changes to the risk register and offer any further comments

53/19 ADMINISTRATION REPORT

(Agenda No. 10)

The Committee had before it a report (PF10) which gave an update of those administration issues which were not covered under the Improvement Plan.

Ms Fox reported that since writing the report, 2 members of staff had left. However, with the impact of iConnect, Member Self Service and changes to working practices, it had been decided, that going forward there was need to only replace 1 member of staff.

In relation to paragraph 14 of the report, Ms Fox reported that the procurement process had now been finalised; the responses reviewed, and the outcome was that the Council would be staying with the same supplier.

The Committee noted the business as usual status and that there was no longer a backlog and congratulated staff on their new working practices.

RESOLVED: to note the report.

54/19 2019 VALUATION

(Agenda No. 11)

Under the current regulatory framework, the Pension Fund was required to arrange for a Valuation of the Pension Fund every three years. The latest Valuation was based on the position as at 31 March 2019, with a requirement for the Fund Actuary to produce their report and certify the employer contribution rates for 2020/21 onwards by 31 March 2020.

In completing the Valuation, the Fund Actuary had to have regard to the Committee's approved Funding Strategy Statement which set out the key policies to be followed in determining the approach to the Valuation. As this was the first Valuation for Oxfordshire to be completed by Hymans Robertson, they had reviewed the current Funding Strategy Statement to bring it into line with their preferred approach to the Valuation.

The Committee had before them a report (PF11) which provided information on the work done to date on the 2019 Valuation and discussed key changes likely to be proposed to the Funding Strategy Statement. The revised Funding Strategy Statement itself would be presented to the December meeting of this Committee via the Pension Board meeting on 25 October 2019, to be agreed for formal consultation with all scheme employers. The final Funding Strategy Statement and Valuation results would be presented to the March meeting of this Committee.

Mr Collins reported that Brookes had agreed to inject a one-off contribution into the fund to enable them to take advantage of the new risk base. Work to date suggested district councils were in different positions. Officers were currently working with Hymans Robertson to find a solution for all employers within a risk framework. In December there would be a redrafting of the funding strategy which would then go out to formal consultation with employers.

The Actuary would be attending the Employers Forum on the 12 December 2019.

In response to members concerns around a number of pensions fund being caught out by the impact of longevity, Mr Collins assured members that longevity was a key element of valuation, and that local evidence would be applied to national figures.

RESOLVED: to note the latest position with regard to the 2019 Valuation and the key changes planned for the Funding Strategy Statement.

55/19 ANNUAL REPORTS AND ACCOUNTS 2018/19
(Agenda No. 12)

The Committee had before it the Annual Report and Accounts 2019 for noting and feedback.

The Committee noted the fund as a whole returned 6.8% against a benchmark of 6.7% and the out-performance from the Private Equity Managers who achieved returns of 13.1% in the year, and congratulated the fund managers for very good performance in such a difficult year.

RESOLVED: to note the report.

56/19 BUDGET OUTTURN 2018/19
(Agenda No. 13)

The Committee had before it the Pension Fund Budget Outturn report for the year ended 31 March 2019. The report sets out the outturn position against the Committee's agreed budget for 2018/19, including explanations for any material variations.

RESOLVED: to receive the report and note the out-turn position.

57/19 CONSTITUTION OF THE PENSION FUND COMMITTEE
(Agenda No. 14)

At its June 2019 meeting, the Committee had reviewed their previous decision to amend its Governance Policy to require all Committee Members to participate in a training programme to ensure the Committee had the necessary skills and knowledge to fulfil its responsibilities, and to remove the right for substitute members. These changes to the Policy had not been presented to full Council for endorsement and had therefore not been implemented.

The Committee wanted a further report to cover some of the practical implications including what would be the minimum level of training prescribed, how long would new members be given to complete the training and were there options to allow named substitutes. The Committee had before them a report which provided further information on the options for changing the constitution of the Pension Fund Committee to ensure all members had the relevant skills and knowledge to undertake the responsibilities of the role.

Mr Collins reported that there was growing pressure with the publication of two national reports for members of the Pension Fund Committee to have the same training requirement of that of members of the Local Pension Board. It was propsed that this requirement could be filled in 2 ways, the 3-day LGA Fundamentals Training Course or the on-line training through the Pension Regulators website, which consisted of 5 core modules, and 4 modules specific to defined benefit schemes. Mr Collins sought the Committee's view on what training they would like to see and in relation to that, whether or not they thought there should be named substitutes or no substitutes at all due to the training requirements.

Following debate, in which there were differing views as to whether there should be named substitutes or not, the committee put the question to the vote, and it was:

RESOLVED: to note the content of the report and:

(a) ask Officers to draw up a Training Policy consistent with the proposals contained in the report and summarised in paragraph 18 above;
(b) agree to amend their Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy;
(c) (by 6 votes to 4) determine its approach to substitutions as being no substitutions allowed;
(d) recommend Council via the Audit & Governance Committee to make the appropriate changes to the Terms of Reference and Constitution to formalise the new governance arrangements;
(e) ask Officers in consultation with the Chairman, Deputy Chairman and spokesperson to amend their Governance Policy/Terms of Reference to ensure that the independence and impartiality of the Pension Fund Committee Members is assured.

58/19 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 15)

The Independent Financial Adviser reviewed the investment activity during the past quarter, presented a summary of the Fund's position as at 30 June 2019, and highlighted key performance issues, with reference to Tables and Graphs. He further reported on the annual performance report from PIRC which compared the Fund's performance to that of its peers.

Mr Davies reported that during the latest quarter, PIRC had compiled detailed performance statistics for 64 of the LGPS funds, with a combined value of £193bn. The statistics showed that the Fund as a whole had been above the median for the 1,3, 5 and 10 year periods.

DGF and Insight had shown very good performance. The asset allocation as at March 2019 was broadly similar to that of the median LGPS fund at asset class level.

RESOLVED: to receive the report, tables and graphs and that information contained in them be borne in mind insofar as they related to Agenda Items 18, 19 and 20 on the agenda.

59/19 EXEMPT ITEMS

(Agenda No. 16)

The Committee RESOLVED that the public be excluded for the duration of items 17,18,19, 20 and 21 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public

interest in maintaining the exemption outweighed the public interest in disclosing the information.

60/19 OVERVIEW AND OUTLOOK FOR INVESTMENTS MARKETS

(Agenda No. 17)

The Committee had before it a report (PF17) of the Independent Financial Adviser which set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. The Independent Financial Adviser would also report orally and any information reported orally will be exempt information.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and

since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to receive the report, tables and graphs and to bear the Independent Financial Adviser’s conclusions in mind when considering the Fund Managers’ reports.

61/19 LEGAL & GENERAL

(Agenda No. 18)

The Independent Financial Advisor reported orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 14 and 17.

The representatives Chris Lyons and Tom Carr of the Fund Manager presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the *information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

RESOLVED: to note the main issues arising from the presentation.

62/19 REPORT ON THE MAIN ISSUES ARISING FROM THE REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 19)

The Committee considered a report from the Independent Financial Advisor (PF19) on the main issues arising from the officer meeting with Wellington Management and UBS in conjunction with the information contained in the tables at Agenda Item 17 (Overview and Outlook for investments Markets), and the latest position on investments with Brunel.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the report.

63/19 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 20)

The Independent Financial Advisor reported that no further summary was required.

64/19 ANNUAL REVIEW OF THE AVC PROVISION

(Agenda No. 21)

The Local Government Pension Scheme Regulations required the Administering Authority to appoint an Additional Voluntary Contributions (AVC) provider, to fulfil the statutory requirement of section 12 of the Social Security Act 1986. The authority must provide facilities whereby members may elect to pay additional contributions, within Her Majesty’s Revenue and Customs limits, to provide additional benefits at retirement or in the event of death in service. These additional contributions do not form part of the Oxfordshire County Council Pension Fund and do not require an employer’s contribution.

The Council appointed The Prudential Assurance Company Limited (Prudential) in 1998 to provide its AVC scheme. The Administering Authority was responsible for determining and periodically reviewing the performance of the range of fund options from which the members could select. A review of Oxfordshire County Council Pension Fund's AVC provider was conducted annually and the now had before it a report (PF21) which provided the findings of the review undertaken in 2019. In 2018 a full review of the Fund's AVC arrangements had been undertaken by Aon Hewitt.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved.

RESOLVED: to note the report and to confirm the continued use of Prudential as the Council's AVC provider.

65/19 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 22)

No further issues were raised.

.... in the Chair

Date of signing ....

Division(s):N/A

PENSION FUND COMMITTEE – 6 DECEMBER 2019

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the comments of the Board as set out below.**

Introduction

2. At the first meeting of the new Pension Fund Committee on 23 June 2017, it was agreed at the suggestion of the Chairman, that each future meeting of the Committee should receive a written report from the Pension Board, setting out the key elements of their work and any matters which the Board wished to draw to the Committee's attention.

3. This report reflects the discussions of the Board members at their meeting on 25 October 2019. The Board was attended by the Independent Chairman and four of the six scheme employer and scheme member representatives. Angela Priestly-Gibbins, a Pension Specialist employed by the Thera Trust attended her first meeting of the Board as the newly appointed Scheme Employer Representative. The Thera Trust is a national body consisting of a number of companies including admitted bodies to the Oxfordshire Fund. This will bring a different employer perspective to the work of the Board.

Matters Discussed and those the Board wished to bring to the Committee's Attention

4. The Board considered the final report on the improvement plan and noted the significant improvement in performance. They asked for their thanks to be passed on to the officers within the pension teams. They also noted the latest business as usual performance statistics which also showed a significant improvement, bring most indicators back into line with their standard targets quicker than had initially been assumed when setting the temporary targets following the clearance of the backlog of work. These statistics will be included in the quarterly administration report to all future meetings of the Committee and Board.

5. The Board considered the report received by the Pension Fund Committee on the review of the Annual Business Plan. Their main focus was on the process

to be followed in appointing a new Chief Executive Officer at Brunel, and asked for assurance that a robust recruitment process would be followed.

6. The Board also considered the Committee's current policy documents as reviewed at the Committee meeting in June. The Board again commented on the lack of a detailed training plan for Committee members, and their previous suggestion that this Committee should consider mandating attendance at certain training events for Committee members. The Board also noted their support for the introduction of named substitutes who would be required to receive the same training as Committee Members in order to participate in committee meetings.

7. The Board also reviewed the risk register and welcomed the addition of the traffic light coding (but did ask that in future colour copies were made available so that they could properly distinguish between the risk scores). The Board was content that risks are being adequately monitored, with appropriate actions being taken where needed.

8. The Board received a report updating them on the 2019 Valuation which included the draft Funding Strategy Statement. They felt that the Statement would benefit from a more prominent executive summary, including the table showing the different factors used across the various employer types.

9. The Board did not identify any further items they wished to bring to the attention of the Committee. They did agree to receive further reports to their next meeting on an update to the 2019 Valuation, the requirements of the Pension Regulator, Cyber Security, and employer training.

MARK SPILSBURY
Independent Chairman of the Pension Board

Contact Officer: Sean Collins
Tel: 07554 103465

November 2019

Division(s): N/A

PENSION FUND COMMITTEE – 6 DECEMBER 2019

2019 VALUATION AND THE DRAFT FUNDING STRATEGY STATEMENT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to note the latest position with regard to the 2019 Valuation and approve the draft Funding Strategy Statement and the basis for formal consultation.

Introduction

1. Under the current regulatory framework, the Pension Fund is required to arrange for a Valuation of the Pension Fund every three years. The latest Valuation is based on the position as at 31 March 2019, with a requirement for the Fund Actuary to produce their report and certify the employer contribution rates for 2020/21 onwards by 31 March 2020.

2. In completing the Valuation, the Fund Actuary must have regard to the Committee's approved Funding Strategy Statement which sets out the key policies to be followed in determining the approach to the Valuation. As this is the first Valuation for Oxfordshire to be completed by Hymans Robertson, they have reviewed the current Funding Strategy Statement to bring it into line with their preferred approach to the Valuation.

3. Hymans Robertson have produced an update on the results of their work on the 2019 Valuation to date and this is included as Annex 1 to this report. In conjunction with the Officers, they have also produced a first draft of the Funding Strategy Statement which sets out the key principles followed in the Valuation work to date. Subject to any comments from the Committee, this draft, which has been included as Annex 2 to this report, now needs to be formally issued for consultation with key stakeholders. The final version of the Funding Strategy Statement and the 2019 Valuation Results will be presented to the March meeting of this Committee.

Update on the 2019 Valuation

4. Annex 1 to this report has been produced by Hymans Robertson to summarise the key issues within the 2019 Valuation process, including the initial results at whole Fund level. The detailed work to produce a full set of results at individual scheme employer level will be concluded once the Committee have signed off a draft Funding Strategy Statement.

5. One of the key numbers traditionally associated with the tri-ennial valuation process is the funding level, which expresses the total Fund assets as a percentage of the total liabilities of the Fund. Whilst this figure is often seen as a good measure of the financial position of the Fund, the limitations on its use have been set out in Annex 1 by Hymans Robertson. In particular, the figure is a simple snapshot in time and is very dependent on the assumptions used in valuing the scheme liabilities. It does not include an assessment of how likely the assumptions used will be borne out in practice, nor the potential range in the funding level where reality differs markedly from the assumptions.

6. However, it is measured, it is clear that the funding level will have improved since the 2016 Valuation due to the investment returns achieved being significantly above those assumed at the last valuation. Hymans Robertson have calculated a funding level as at 31 March 2019. This is based on future investment returns of 4.3% per annum, which they have assessed as likely to be met in 67% of the future economic scenarios they model. This gives a funding level of 99% compared to 91% at the 2016 Valuation.

7. Whilst the improvement in funding level would normally feed through into a reduction in employer contribution rates, there are also pressures pushing contributions upwards, including a less optimistic assumption about investment performance going forward. It is also true that the results for individual employers can vary significantly from the whole fund results based on their employee profile, previous funding positions and risks going forward. Initial analysis suggests the rates for many employers can be held stable for the next 3 years, with moderate increases for others. Officers and the Actuaries will be looking to work with individual employers where more significant increases are required to ensure the increase can be managed. This will include the use of one-off injections of cash to the Fund and/or phased increases in contribution rates.

8. In terms of the known risks, the Fund Actuary has needed to allow for the increased costs associated with the McCloud judgement. At present, it is not certain what changes will be made to the benefits structure resulting from the McCloud case. It is not possible therefore to determine the total increase in the cost of pension liabilities going forward, nor how they differentially impact individual scheme employers. The Actuary has allowed for that uncertainty by raising the target probability that any scheme employer will be fully funded in future, which in turn places upwards pressure on the contribution rates.

9. As discussed in the report to the September Committee meeting, the Hymans Robertson approach includes key differences to the approach used by the Fund's previous Actuary. This has required changes to the Funding Strategy Statement and these are summarised on page 6 of Annex 1. The full draft Funding Strategy Statement is included as Annex 2 and must be subject to formal consultation with key stakeholders before it can be formally adopted. The consultation process includes a presentation from the Fund Actuary at the re-arranged Employer Forum on 17 January 2020.

10. The Pension Board considered the draft Funding Strategy Statement when it met on 25 October 2019. There key comment was the need for some form of an Executive Summary, including the table contained on page 11 which summarised the key factors applied to the different employer groups. We will review this request further with Hymans Robertson.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465

November 2019

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2019 Valuation update

Addressee and purpose

This document has been requested by and is addressed to Oxfordshire County Council in its capacity as Administering Authority to the Oxfordshire Pension Fund ("the Fund"). It has been prepared to:

1. provide information on the initial whole fund results of the 2019 valuation of the Fund;
2. outline the proposed changes to the Fund's funding strategy as part of the 2019 valuation review; and
3. provide an update on proposed employer contribution rate changes.

It has not been prepared for use for any other purpose and should not be so used.

No liability is accepted under any circumstances by Hymans Robertson LLP for any loss or damage occurring as a result of reliance on any statement, opinion or any error or omission contained herein where the report is used by or disclosed to a third party.

Background

As the Fund actuary, we are in the process of carrying out the formal valuation of the Fund as at 31 March 2019. The actuarial valuation of the Fund on a triennial basis is a Regulatory requirement and its primary purpose is to determine contribution rates payable by participating employers for the three-year period commencing 1 April 2020. A secondary outcome is an assessment of the funding position. The valuation is carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

Alongside the valuation, the existing funding strategy is reviewed to ensure it remains appropriate in light of any changes to individual employer circumstances or wider regulatory, political, economic and demographic factors. The funding strategy is formally laid out in the Funding Strategy Statement ("FSS") which, under LGPS Regulations, all funds have a statutory obligation to produce.

1 Initial results of the 2019 valuation

Data

The Administering Authority supplied final membership data to us for the purposes of the 2019 valuation on 24 September 2019. The accuracy of our results is limited by the quality of the data provided. We have carried out validations on the data provided to ensure it is fit for the purposes of the valuation. We believe the membership data is fit for the purposes of this valuation.

We have based the valuation on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2019. Details can be found at http://www.lgpsregs.org/. It should be noted that the LGPS benefit structure is currently under review following the Government's loss of the right to appeal the McCloud court case. At the time of writing we have not been provided with details for any subsequent benefit improvements and as such have not allowed explicitly for any in our calculations. This approach is in line with the advice issued by the Scheme Advisory Board in May 2019.

Assumptions and methodology

The ultimate objective of an LGPS fund is to be able to pay members' benefits as they fall due. For an open, ongoing scheme like the LGPS, the main purpose of the valuation is to set employer contribution rates that, together with future investment returns on the employer's assets, have a high likelihood of meeting this ultimate objective. The Fund's revised approach to setting contribution rates focuses on optimising both the investment and contribution strategy to meet future benefit payments and identify key funding risks. This is done by determining a long-term funding target and then assessing the likelihood of funding plans meeting that target using risk-based modelling.

The assumptions used to set the funding target for contribution rate setting purposes for the 2019 valuation were discussed with Fund Officers in August.

A secondary output from the valuation is the calculation of a funding position at the valuation date: in other words, to what extent do the assets held by the Fund at 31 March 2019 cover the accrued benefits (liabilities)? LGPS funds typically report two measures of the funding position: a funding level (the ratio of assets to liabilities) and a funding surplus/deficit (the difference between the asset and liabilities values).

A funding position is limited as it is calculated on a single set of assumptions about the future and, as such, is very sensitive to the choice of assumptions and gives no insight into the likelihood of the assumptions being borne out in practice. However, it is a helpful metric to provide a high level snapshot of the position of the Fund at the valuation date and help stakeholders understand the factors that cause pension costs to change.

To calculate a current funding level, we compare the value of the Fund's assets against a likely cost of the benefits accrued to date. The value of assets is obtained via market valuations. Placing a single value on the benefits requires assumptions about when and how much benefits will be paid and also about the investment returns we expect to achieve on the assets held.

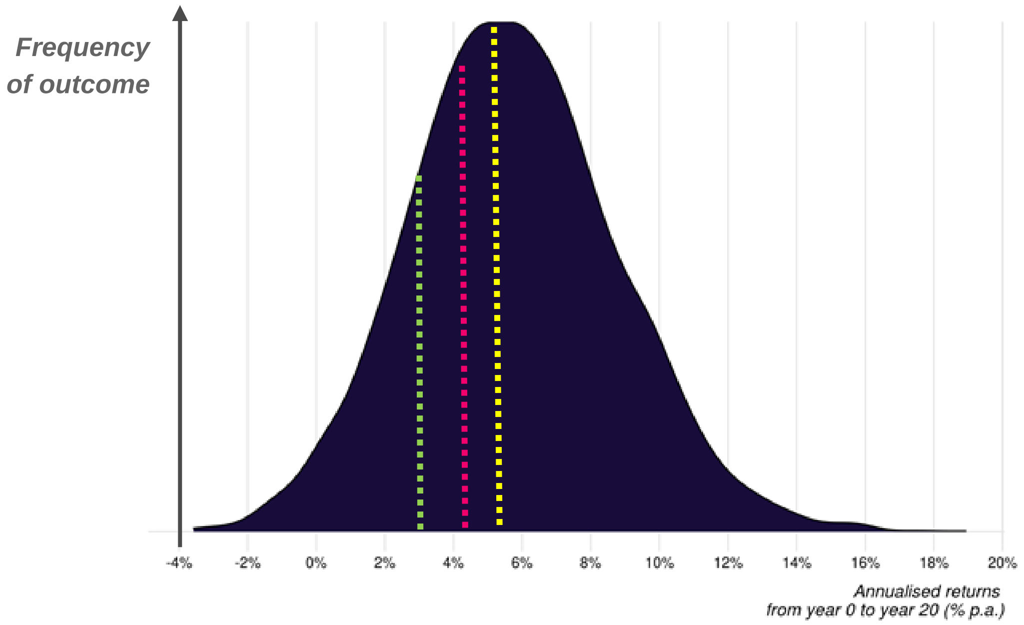
To derive an assumption about future inflation (which underlies the benefit increase, salary increase and CARE revaluation assumptions), we have compared the difference on fixed interest and index linked long term government bonds. This provides the financial market's view of long-term inflation. The tables below detail the benefit increase, salary increase and CARE revaluation rate used in the assessment of a funding position at the 2019 valuation.

Financial assumption	2016 valuation	2019 valuation
Benefit increases (p.a.)	2.4%	2.3%
Salary increases (p.a.)	3.2%*	2.3%
CARE revaluation (p.a.)	2.4%	2.3%

*Blended assumption based on of CPI until 31 March 2020, followed by CPI plus 1.5% thereafter

The choice over a single assumed return on the fund's assets is less straightforward (and therefore more subjective) due to the various different types of assets the fund is invested in and the limitation of reliable indicators about the financial market's expected long-term view.

At the 2016 valuation, an assumption based on one market indicator (a deterministic approach) was used. For the 2019 valuation we have used an assumption that reflects the range of possible future investment returns and the likelihood of the Fund's assets returning this assumption (a stochastic approach). Using the Fund's investment strategy and running 5,000 simulations of our proprietary economic model, the Economic Scenario Service (ESS), we have generated a distribution of possible future annualised investment returns over the 20 years from the valuation date:



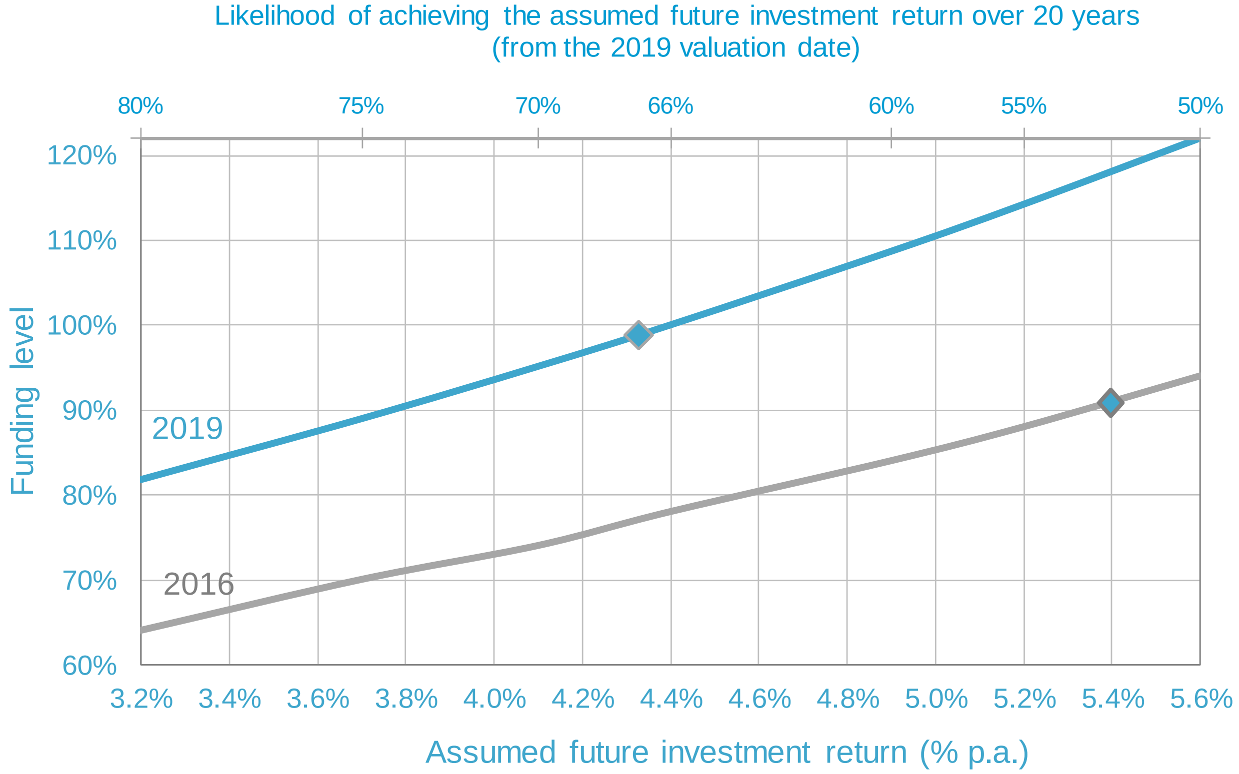
From the above, we can derive the likelihood of the Fund's investments achieving *at least* a certain level of return:

- There is a 50% likelihood of achieving at least an annual return of 5.6% p.a. over the next 20 years (i.e. 2,500 scenarios to the right of the yellow dashed line and 2,500 to the left);
- There is a 67% likelihood of achieving at least an annual return of 4.3% p.a. over the next 20 years (i.e. 3,350 scenarios to the right of the pink dashed line and 1,650 to the left); and
- There is an 80% likelihood of achieving at least an annual return of 3.2% p.a. over the next 20 (i.e. 4,000 scenarios to the right of the green dashed line and 1,000 to the left).

Funding position at 31 March 2019

Understanding the likelihood associated with certain levels of assumed future investment returns means we can better understand the Fund's funding position.

The following chart shows how the funding level varies with the future investment return assumption. For comparison, the funding level associated with the same choice of investment return assumption at the 2016 valuation is also shown.



From this chart, we can see that:

- The funding position would be 100% if we can achieve future investment returns of around 4.4% p.a.. The likelihood of the Fund's assets yielding at least this return is around 66%.
- Conversely, if future investment returns are on average 3.2% p.a. over the long term then the Fund currently holds sufficient assets to meet 83% of the accrued liabilities. The likelihood of achieving at least this level of future investment return is 80%.
- For any given expected future investment return, the funding position of the Fund has improved since the previous actuarial valuation in 2016. This is mainly a result of the strong investment performance of the Fund over the period from 31 March 2016 to 31 March 2019.

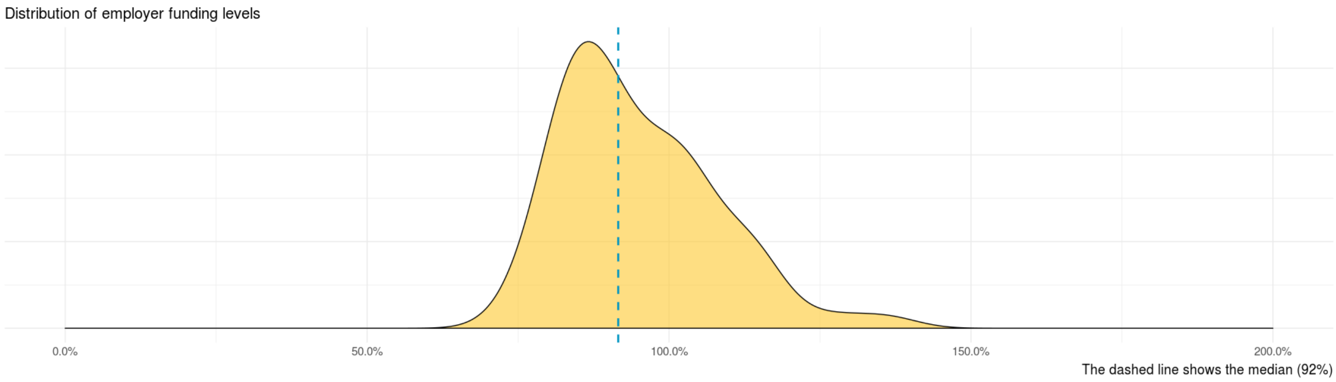
Whilst this chart gives the Fund a better understanding of the funding position than a single funding level, the Fund is still required to report a single funding balance sheet. Based on discussions with Fund Officers and the regulatory and professional requirements to include a degree of prudence in the funding position, an investment return with a 67% likelihood has been selected, namely 4.3% p.a..

Using the assumptions outlined above, the reported funding position of the Fund at the valuation date is summarised below. The asset figures are the market value of the Fund's assets as at 31 March 2019. The results at the 2016 formal valuation are shown for comparison.

Valuation Date	31 March 2016	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	669	790
Deferred Pensioners	448	631
Pensioners	913	1,125
Total Liabilities	**2,030**	**2,546**
Assets	**1,842**	**2,515**
Surplus / (Deficit)	**(188)**	**(31)**
Funding Level	**91%**	**99%**

Employer funding results

The figures shown above are at whole fund level. The funding position of each individual employer in the Fund is tracked separately (the whole fund is the sum of these employer positions). The chart below shows the range and distribution of employer funding positions in the Fund as at 31 March 2019.



2 Key changes to funding strategy

The current funding strategy was refreshed and reviewed as part of the 2016 valuation. As mentioned earlier, the funding strategy is detailed in the Funding Strategy Statement ("FSS") which is a key document for the Fund in two ways:

1. The inputs it requires: Fund's officers, Pensions Committee and Pensions Board need to go through a process to be satisfied that the Fund will be collecting an appropriate level of contributions from each and every employer in the Fund. The FSS provides a helpful framework for organising this process and covering all the necessary areas;
2. The outputs it provides: the finalised FSS itself should be a clear and transparent reference point for the Fund's stakeholders, to provide proof that the contribution arrangements are solidly derived, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

A summary of the key FSS changes as part of the 2019 review is set out below:

Regulatory and operational updates since 2017 FSS (updates throughout document)
The following areas have been included or updated within the FSS to allow for regulatory changes since 2017:

- Allowance for new 'Exit credits' legislation (throughout)
- Noting the Valuation cycle consultation and update the Fund's policy on interim assessments (p8 and p14)
- Dealing with McCloud/cost cap benefit uncertainty (p7)
- Detailing the approach for new academies joining the Fund or moving to/from a Multi-Academy Trust (p15)
- Detailing possible employer post cessation agreements (p17)
- Due consideration being given to climate change risk (p30)
- Detailing the approach to tracking employer assets (p36)
- Detailing approach for using "pass through" arrangements for outsourced contractors (p16)
- Detail of approach to funding Guaranteed Minimum Pensions (p31)
- Option for individual employer investment strategies (p22)
- Review of approach for employer ill health early retirement risk (p20)

Change in approach for setting employer contributions (page 5 and 11)
A key change to the funding strategy is the use of a three-step risk-based framework for setting all employer contributions.

Previously, formal valuations of the Fund were a calculation exercise with contribution rates being set for all employers within the Fund based on a single set of assumptions and a mathematical formula (a "deterministic approach"). The disadvantage of a deterministic approach is that it does not allow the Fund, employer or Fund actuary to assess the risk associated with the proposed contribution rate. Risk in this context means the likelihood that the employer will not achieve their funding target over the agreed time-period.

With increased scrutiny on the LGPS, and the requirement to consider covenant strength of the employer when setting contributions, there is an increased focus on using the valuation as an opportunity to assess risk. Therefore, we intend to work with the Fund to adopt a "risk-based" approach to setting contributions for all employers for contributions payable from 1 April 2020. The risk-based approach is a “stochastic methodology”, which allows for thousands of future economic scenarios (rather than a single set of assumptions). This allows the Fund to quantify the risk of an employer not meeting their funding target, e.g. if the employer meets or exceeds their funding target in 750 out of 1,000 possible future economic scenarios, there would be an 75% chance of them meeting their funding target.

The risk-based approach sets a contribution strategy where the **likelihood** (probability) of meeting the **funding target** at the end of a specified **time horizon** is suitable for that employer. For example, each of the Councils in the Fund, has the same funding target, likelihood and time horizon, e.g. a contribution rate strategy would be appropriate and agreed if there is a 75% probability of being fully funded in 20 years’ time.

This “risk-based” approach will also be extended to all employers based on parameters suitable for each employer:

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of** achieving the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

Following discussion with Fund Officers in October 2019 alongside the initial employer results, the proposed funding parameters for each employer group are summarised in the table on page 14 of the FSS.

Reduction in maximum time horizon (page 13)

The FSS is proposing a reduction in the maximum allowable funding time horizon (previously refer to as “recovery period”) from 25 to 20 years.

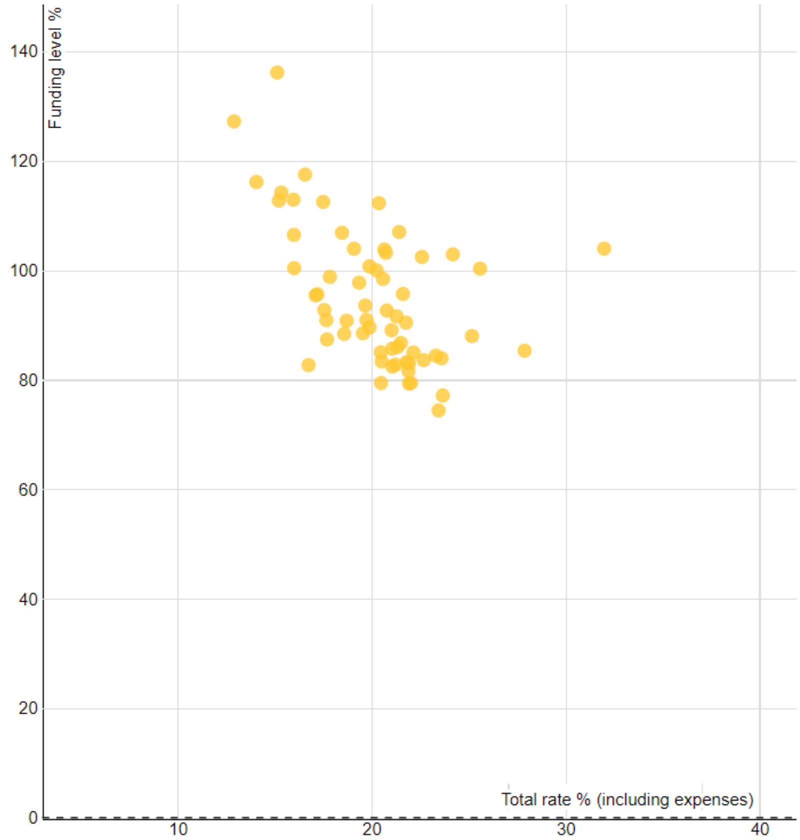
In addition time horizons have now been set uniformly across different employer groups.

Introduction of Contribution Stabilisation (page 12-13)

In addition, it is possible to apply a “stabilisation” contribution overlay for employers . Stabilisation limits contribution rate increases and decreases to a maximum amount each year (e.g. plus or minus 0.5% of pay per annum). Modelling is used to test the robustness of any proposed stabilised overlay (i.e. to ensure stabilised contributions increases and decreases doesn’t impact on the employer’s likelihood of achieving the funding target by the end of time horizon). This provides the benefit of budgeting certainty for employers and cashflow predictability for the Fund. Within the FSS, this stabilisation overly has been proposed for long-term, secure employers as summarised on page 14 of the FSS.

3 Employer contribution rates

Based on the risked based approach for setting employer contributions the following chart and commentary summarises the changes expected from each employer groups:



The chart shows the range of employer contribution rates versus funding level (noting at the time of writing some employer results are still under review). The dispersion of funding level and contribution rates is to be expected when the different size, circumstances and covenant of each employer is taken in to account. However, the chart demonstrates that even for the most poorly funded employers, the respective proposed contribution rates have been kept affordable.

Council

Background

The Council employers within the Fund, have a long-term commitment to the LGPS and are typically large employers with the ability to raise taxes. These employers therefore have a very strong covenant. For this reason, they are generally considered to be secure and low risk.

Contribution rates

As part of reviewing the contribution plans for the Council, we have used in-depth asset-liability modelling to project forward assets and liabilities under thousands of different economic scenarios and test different combinations of contribution and investment strategies. The modelling then allows us to understand how likely the contribution strategy is to succeed (i.e. reach/maintain full funding over various time horizons) and the level of downside risk (i.e. how bad could the funding position get in a challenging economic climate).

When considering the contribution strategies to model, we are acutely aware that the financial situation of all public sector employers means that any ‘relief’ in budgets would be helpful. Given this budgetary climate and recent strong assets returns for the Fund, we have been exploring with Fund Officers whether any relief in contribution rates can be passed on to the Council. A contribution rate freeze or slight reduction is likely to be viewed as relief in this context. Of course, the Fund still needs to balance this desire against ensuring funding plans are robust and that there is sufficient likelihood to have enough money to pay members' benefits.

For most councils, the headline results of the modelling shows that there is scope to freeze employer contribution rates at their current levels for each of the three years from 1 April 2020. This has been discussed with Fund Officers and Finance Directors alongside wider considerations such as current regulatory risk, strength of employer covenant, external scrutiny, climate change risk, etc.

For councils which are more poorly funded, moderate increases in employer contribution rates have been proposed (e.g.1% to 2% of pay per annum).

At the time of writing, discussions with West Oxfordshire DC remain ongoing following the restructure of the majority of their staff to arm's length bodies which will not provide LGPS benefits for new members of staff.

In addition, there are ongoing discussions with various councils about the possibility of making contribution prepayments (i.e. making advance payment of a proportion future years certified contributions). When a prepayment is made the Fund has typically offered a "saving" in the overall cash cost to the employer. This is as a result of the potential to benefit from investment returns earlier that would otherwise be the case if payment of regular contributions was made.

Designating employers pool

Background

Town & Parish councils across the Fund are small employer but have varying size of liabilities and memberships. Individually, Town & Parish councils have tax-raising powers therefore could be seen as low risk.

The Fund operates a "full-risk sharing" pool for these employers (i.e. all employers funding is combined and they all pay the same contribution rate as a % of pay). This arrangement reduces the risk posed to the Fund of these very small employers. From an employer perspective, the level of cross-subsidies that exist in the pool may be outweighed by the stability of contributions afforded by being pooled together.

Contribution rates

While the funding level of the Designating employers pool has increased, the cost of paying for new benefits accrued by members has also increased. Therefore, the proposal is to hold the pools contribution rates at 21.7% of pay p.a. for the three years from 1 April 2020.

Academies

Background

As a result of the Academies Act 2010, primary and secondary schools were able to 'convert' from Local Education Authority (LEA) maintained school status to Academy status. The main reason for this was to provide the school with more autonomy. This extra degree of autonomy also applied to pensions funding.

The Fund takes the view that academies are relatively low risk as they are typically immature and very cashflow positive and have a guarantee from the Department for Education. While the extent of this guarantee has been challenged in the past, more recently there has been examples of successful calls on the guarantee in other LGPS Funds when an academy gets into difficulty and closes.

Contribution rates

To reduce contribution volatility for smaller academies, the Fund operates a "Academies Pool". Academies with less than 50 members are automatically opted into this pool unless they decide otherwise. In addition, any academy with over 50 members also has the right to opt to join the pool on a permanent basis.

All academies in the Fund (i.e. those in pool, multi academy trust and individual academies) are treated the same manner for contribution setting purposes. In addition, they are treated with the same funding parameters as council employers, with the exception of being ineligible for the stabilisation policy (primarily due to their lack of tax raising powers).

While changes at an individual academy level vary, on average employer contributions rates will increase slightly from 1 April 2020 (i.e. around 1% of pay). Despite improvements in funding levels on average across academies, this increase is predominantly as a result of increase to the cost of paying for new benefits accrued by members (i.e. the Primary Rate).

Further Education establishments

Background

In recent years, the funding arrangements for the Further Education (FE) sector has seen a significant change which has resulted in these bodies being re-classified from public to private sector employers. This change has also seen a considerable amount of uncertainty about the viability of certain establishments across England and resulted in a number of consolidations, mergers and takeovers.

Furthermore, the Ministry of Housing, Communities and Local Government (MHCLG) consulted on possible changes to the terms governing the participation of this employer group in the LGPS. Currently, FE employers must provide access to the LGPS for all staff who met the qualification criteria. The consultation proposes that this requirement is removed which gives FE employers the choice of whether it provides LGPS access to staff going forward.

However, at present FE employers in the Fund are well funded and remain committed to the LGPS in allowing new staff members to join the LGPS.

Contribution rates

The weaker covenant of the FE employers in comparison to tax-raising councils, has been taken in account by implementing a shorter time horizon over which these employers are expected to target full funding (i.e. 15 years compared to 20 years for councils).

As a result, the proposal is for contribution rates for all FE employers to moderately increase from 1 April 2020, with the expectation of Oxford Brookes University.

Due to the size of Oxford Brookes University and its risk to the Fund, fuller discussions and modelling has been conducted alongside the council employers. As part of these discussions Oxford Brookes made a £5m lump sum payment to the Fund as prepayment for future years' contributions. As a result of the payment, analysis and discussions, it has been proposed to reduce Oxford Brookes University's contribution rates for the three years from 1 April 2020.

(Transferee) admitted bodies

Background

There are a large number of (Transferee) admitted bodies ("TABs") within the Fund who perform services that have been outsourced from the letting authority (i.e. another Fund employer). TABs are typically short-term contractors and participate in the Fund for the period of the contract. The admission terms of TABs and the LGPS regulations, mean the letting authority is the guarantor of last resort, therefore the risk in the event of a TAB becoming insolvent is lower relative to other admitted bodies.

Contribution rates

The majority of TABs are pooled with their respective letting authority for contribution rate purposes. Therefore, changes in the respective letting authority's contribution rate will equally apply to changes in the TAB's contribution rate.

(Community) Admitted bodies

Background

(Community) Admitted bodies ("CABs") are traditionally the group of employers which pose risk to the Fund in terms of their covenant. However, the size of the financial risk is small relative to the Fund and most other employers. CAB's participate in the LGPS by choice but are typically:

- Closed to new entrants with an ageing membership – ultimately, heading for cessation in a short or medium timeframe;
- Long standing employers in the Fund, often with large liabilities relative to their size;
- Employers with weaker balance sheets with little or no fixed assets; and
- Stand-alone employers with no guarantor to secure any unpaid deficit.

Many CABs could be experiencing difficulty in affording their continued participation and may be looking to exit the LGPS to use an alternative arrangement to provide staff pension which is more aligned with their business requirements or the markets in which they operate.

We have worked with Fund Officers to engage with all CABs using questionnaires and inviting them to employer forums. These employers will also be invited to one-to-one session with the Fund and us to discussion their staff pension provision plans.

Contribution rates

The Fund operates a pool for a number of the smaller CABs, which is being reviewed by Fund Officers as part of the 2019 valuation process. Currently these employers are pooled for all funding risks meaning that they share membership experience and therefore cross-subsidies exist. The employers within the pool are varied in terms of size and maturity.

We have worked alongside Fund Officers to propose contribution rates for the three years from 1 April 2020 which remain broadly in line with those currently in payment (i.e. increase/decreases of less than 4% of pay) for all CABs.

4 Next steps

Subject to agreement from the Committee of the proposed funding strategy changes we can prepare all employer contribution rates based on the draft updated FSS and issue to employers for consultation (including the Employer Forum on 17th January 2020).

Following the end of the consultation period, any comments received by employers may lead to amendments to the FSS document. The final version of the FSS should be approved by the Pensions Committee and published during March 2020.

Reliances and limitations

This paper has been prepared for the purpose of summarising the initial results of the 2019 valuation and outlining the proposed changes to the funding strategy. It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without my prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

Nothing contained within this paper affects any member's benefits. Furthermore, none of the figures should be used for accounting purposes (e.g. under FRS102 or IAS19) or for any other purpose (e.g. a termination valuation).

The valuation results are wholly dependent on the data provided to us and the assumptions that we use in our calculations.

The results contained in this document are for the Fund as a whole. It does not set out the valuation results for individual employers.

The following Technical Actuarial Standards[1] are applicable in relation to this report and have been complied with where material given the summary nature of the paper:

- TAS100
- TAS300

Prepared by:-

Robert McInroy FFA
20 November 2019
For and on behalf of Hymans Robertson LLP

Catherine McFadyen FFA

[1] Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work.

HYMANS ROBERTSON

Oxfordshire Pension Fund

Draft Funding Strategy Statement

August 2019

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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Oxfordshire Pension Fund ("the Fund"), which is administered by Oxfordshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from [DATE POST CONSULTATION].

1.2 What is the Oxfordshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Oxfordshire Pension Fund, in effect the LGPS for the Oxfordshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact [NAME & JOB TITLE] in the first instance at e-mail address [E-MAIL ADDRESS] or on telephone number [NUMBER].

2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

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2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an approximate allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this will be achieved by building in a slightly higher required likelihood of reaching funding target, all other things being equal.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms (see Section 3.3 note (b));
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher total contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	**Scheduled Bodies**			**Community Admission Bodies and Designating Employers**		**Transferee Admission Bodies**	
Sub-type	**Local Authorities**	**Colleges & Universities**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**Traditional**	**Pass-through***
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)	Ongoing participation basis, as per respective letting employer.
Primary rate approach	(see Appendix D – D.2)						Contribution rate as agreed between contractor and letting authority
Stabilised contribution rate?	Yes - see Note (b)	Depends on covenant strength of employer	No	No	No	No	
Maximum time horizon – Note (c)	20 years	15 years	20 years	Up to 20 years	Average future working lifetime	As per the letting employer	
Secondary rate – Note (d)	Monetary amount	Monetary amount	% of payroll	Monetary amount	Monetary amount	Monetary amount or % of payroll	
Treatment of surplus	Covered by stabilisation arrangement	Reduce contributions by spreading the surplus over time horizon	Reduce contributions by spreading the surplus over the maximum time horizon	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority		Reduce contributions by spreading the surplus over the remaining contract term	N/A
Likelihood of achieving target – Note (e)	75%	75%	75%	75%	75%	75%	N/A
Phasing of contribution changes	Covered by stabilisation arrangement	3 years**	3 years**	3 years**	3 years**	None	N/A
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract	As per the terms of the admission agreement and contract with letting authority
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)	
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the low risk exit basis may apply. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details	Upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in Note (j).

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (j).

** In exceptional circumstances the Administering Authority has the discretion to extend phasing of contribution changes for up to 6 years.

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (i.e. Major Authorities and Universities) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Max cont increase p.a.	Max cont decrease p.a.
"Standard" Council (i.e. with no material changes to structure of membership)	+1% of pay	-1% of pay
"Closed" Council (i.e. structured where a material proportion of the overall Council Pool is closed to new entrants)	+2%	-2%
University	+1%	-1%

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants, or
- for smaller employers.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but will be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. However, if the academy has 50 or less members they are required to join the Academies Pool (this approach was arranged following a consultation exercise at the beginning of 2013). However, a small academy can seek the approval of the Administering Authority to permanently opt out of the Academies Pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities appropriately underwritten.

vi. In addition, any new academy with over 50 members also has the right to opt to join the pool on a permanent basis.

vii. The Administering Authority will also consider applications from any academies under a single "Umbrella" MAT to operate a single pool for all academies within the Trust. (The Administering Authority will treat a

MAT as a single employer with its own individual employer contribution applicable across all schools within the Trust – subject to total members exceeding 50 as per (v) above).

viii. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT. At the discretion of the Fund there maybe no requirement to recalculate the transferring and receiving MAT's contribution rates as a result of the transfer (i.e. if both MATs have employer contributions certified as a percentage of pay, then it is assumed that the respective change in payroll as a result of the transfer, will broadly adjust each MATs total contributions adequately). However, the Fund reserves the right to revise both the transferring and receiving MAT's contribution rate if the transfer is significant.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) to (viii) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular, there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) <u>Pooling</u>

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) <u>Letting employer retains pre-contract risks</u>

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) <u>Fixed contribution rate agreed</u>

Under this option the contractor pays an agreed fixed contribution rate throughout its participation in the Fund (e.g. the same contribution rate as the letting employer) and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority's preferred approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority's Primary Rate on the contract start date. Upon cessation the contractor's assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;

- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply an adjustment to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

(d) At the absolute discretion of the Fund, a ceasing non-transferee admission body with no guarantor, may be permitted to leave the Fund with its final funding position calculated using the ongoing participation basis. In the case where no deficit exits the ceasing employer may exit the Fund without any cessation payment being requested. However, the employer would also not be entitled (either at the exit date or at any point in the future) to any cessation surplus which has been calculated using the ongoing participation basis.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would request appropriate security to be provided and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the “gilts exit basis” and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- A Town and Parish Council Pool
- An Academies Pool (as noted under 3.3 note (g) above)
- A Small Admitted Bodies Pool
- Smaller Transferee Admission Bodies may also be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

It should also be noted that, if a pooled employer is considering ceasing from the Fund, while its required contributions would be based on the pool’s funding position, when appropriate this position would be updated to reflect the cessation terms: see Note (j).

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

3.5 **Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.** Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer’s contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance, which has been made available by the Fund (see 3.8 below).

3.8 Ill health risk management

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

The Administering Authority therefore has put in place an approach to help manage ill health early retirement costs. The current approach was put in place on April 2020, has been reviewed on October 2019 and will next be due for review as part of the next review of this document.

Each employer may elect to use external insurance which has been made available by the Fund. The Fund last communicated this option to employers on [DATE] and has highlighted it to new employers since this date.

If an employer provides satisfactory evidence to the Administering Authority of putting in place an external insurance policy covering ill health early retirement strains, then:

- the employer's contribution rate to the Fund each year is reduced by the amount of that year's insurance premium rate, and

- there is no need for monitoring of ill health allowances versus experience (as typically required for some employers).

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund (as detailed in note (j)). This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is followed for all employers. However, this is approach reviewed from time-to-time to ensure each employer's investment strategy is appropriate given their funding objective and current funding position.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix

Appendix A – Regulatory framework

Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in [DATE] for comment;

b) Comments were requested within [30] days;

c) There was an Employers Forum on [DATE] at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published, in [DATE].

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at [CLIENT URL];
- A copy sent by [post/e-mail] to each participating employer in the Fund;
- A copy sent to [employee/pensioner] representatives;

- A summary issued to all Fund members;
- A full copy [included in/linked from] the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed before the next scheduled review. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at [CLIENT URL].

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1 operate the Fund as per the LGPS Regulations;

2 effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;

3 collect employer and employee contributions, and investment income and other amounts due to the Fund;

4 ensure that cash is available to meet benefit payments as and when they fall due;

5 pay from the Fund the relevant benefits and entitlements that are due;

6 invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;

7 communicate appropriately with employers so that they fully understand their obligations to the Fund;

8 take appropriate measures to safeguard the Fund against the consequences of employer default;

9 manage the valuation process in consultation with the Fund's actuary;

10 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

11 prepare and maintain a FSS and a ISS, after consultation;

12 notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and

13 monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1 deduct contributions from employees' pay correctly;

2 pay all contributions, including their own as determined by the actuary, promptly by the due date;

3 have a policy and exercise discretions within the regulatory framework;

4 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and

5 notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1 prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;

2 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3 provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

4 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

5 assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;

6 advise on the termination of employers' participation in the Fund; and

7 fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1 investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;

2 investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;

3 auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;

4 governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;

5 legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;

6 MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance. Regularly consider the use of individual investment strategies to meet needs of a diverse employer group.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of

Risk	Summary of Control Mechanisms
	any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	The Fund invests its assets in line with Responsible Investment beliefs and guidelines. The impact of different climate change scenarios on future funding positions was modelled at the 2019 valuation, with the risk reflected via the use of prudence within each employer's "likelihood of achieving target" (see section 3).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:

Risk	Summary of Control Mechanisms
	Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor.

Risk	Summary of Control Mechanisms
	Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (~~by~~ at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each valuation.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators or (from time-to-time) calculated in bulk by the Fund Actuary.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

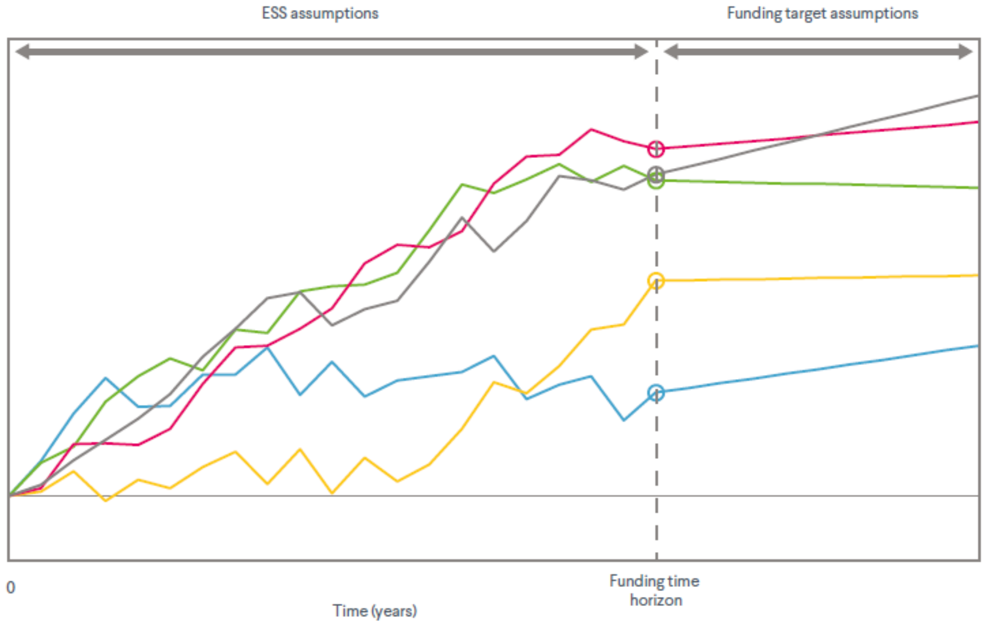
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Typically applied to Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.8% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set equal to Consumer Prices Index (CPI).

b) Pension increases

Since 2011 the CPI rather than Retail Prices Index (RPI), has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

(Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually

	be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary contribution rates. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

Valuation	**Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

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Division(s): N/A

PENSION FUND COMMITTEE – 6 DECEMBER 2019

BUSINESS PLAN 2019/20

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the progress against the key service priorities included within the 2019/20 Business Plan.**

Introduction

2. This report sets out the progress against the key objectives within the business plan for the Pension Fund for 2019/20, as agreed by the Committee at their March meeting.

3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2019/20 and remain consistent with those agreed for previous years. These are summarised as:
    - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensons Regulator
    - To achieve a 100% funding level
    - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
    - To maintain as near stable and affordable employer contribution rates as possible.

4. Part A of the plan sets out the broad service activity undertaken by the Fund. As with the key objectives, these are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

Service Priorities for 2019/20

5. Five key service priorities were included in Part B of the Business Plan for 2019/20. Each of these was an extension of the 2018/19 priorities, amended to reflect the progress during 2018/19. A summary of the progress against each of the 5 key priorities is as follows.

6. <u>Development of the Brunel Pension Partnership</u> – There were three key elements to the work within the Brunel Pension Partnership during 2019/20, being reporting and assurance, the transition of assets and the delivery against the business case. Each of these can be looked at in turn.

7. In respect of reporting and assurance, the key priority for 2019/20 is seen as the development of comprehensive client reports, which will provide assurances on the processes and performance of the Brunel company, as well as on the investment performance itself. This is seen as increasingly important as more assets are transition to the Brunel portfolios and Brunel takes on its full responsibility for the selection and monitoring of the underlying fund managers.

8. Brunel have developed the initial investment performance reports and these are currently made available to Officers. This Committee offered no comments on the format of the Fund specific report presented to their June meeting, and it is expected that this will become a standard agenda item as more assets transition to Brunel. A report covering all Brunel portfolios is also presented to the Client Group and to the Brunel Oversight Board.

9. The Client Group have also worked with Brunel to develop a series of reports to enable the Client Group and the Brunel Oversight Board to assess the performance of Brunel itself and gain assurance that Brunel has a series of robust policies and procedures and is acting in accordance with them. These reports have now become a standard agenda item for these meetings and will increasingly become the main focus as the transition to business as usual is completed.

10. In respect of asset transition, Brunel have concluded the transition of assets to the new Emerging Market Portfolio and at the time of writing this report were partway through the transition of assets to the Global High Alpha Portfolio. Oxfordshire participated in both these transitions, funded by a part redemption of the assets within the UBS global equity portfolio and the full redemption of the Wellington global equity portfolio.

11. As a consequence of the latest transitions, we now have just under half (47.7%) of the Fund's assets under the management of Brunel. We have made commitments to the private equity, infrastructure and secured income portfolios which when called would add a further 7% to the assets under management at Brunel. Further commitments will be made to the private market portfolios within Brunel as part of the second round of 2 year commitments from 1 April 2020 (subject to any amendments to the asset allocation at the March meeting of this Committee).

12. We are currently in discussions with Brunel and UBS about the transition of the management of the property portfolio which will take place during 2020. The remaining assets held within the UBS global equity portfolio will transition to the Brunel Global Core Portfolio during the latter part of 2020.

13. At the present time it is not planned to transition the assets held within the Insight Diversified Growth Fund (DGF) to the new Brunel DGF portfolio as the investment outcomes are not aligned. How we best meet the current investment objectives for our DGF allocation (equity like returns but with lower

volatility whilst retaining liquidity) will be considered as part of the asset allocation report to the March meeting of this Committee.

14. The final significant transition will involve the assets within the current fixed income portfolio managed by Legal & General. Within his last asset allocation report to this Committee, the Independent Financial Adviser identified some potential gaps in the draft portfolios being proposed by Brunel to meet the investment objectives set for the current allocation. Brunel are planning to re-visit these portfolio specifications as part of the planning for the transitions due in 2020/21, and a workshop is being organised for January 2020 as part of this process. An updated position will therefore be reported to this Committee as part of the asset allocation report to the March Committee meeting.

15. <u>2019 Valuation</u> – There is a full report elsewhere on today's agenda which covers progress on the 2019 Valuation including initial results for the Fund as a whole, as well as the revised Funding Strategy Statement which sets out the approach followed in producing the initial results. Subject to any comments of the Committee, next steps will be to formally consult with scheme employers on the revised Funding Strategy Statement and provide them their provisional results based on the draft Statement.

16. <u>Data Quality</u> - The third priority focusses on delivery of the Improvement Plan and ensuring all services are delivered to scheme members in accordance with our regulatory responsibilities and our service level agreements. As covered in the Administration report elsewhere on the agenda, we have recently reported improved data quality scores of 98% for common data and 96% for scheme specific data.

17. <u>Monitoring Compliance with the Fund's Policies</u> - This fourth priority centres around the need to make more transparent the work of the Fund in delivering its ESG Policy as included in the Investment Strategy Statement. One of the measures of success was the availability of benchmark data and regular quarterly reporting.

18. The Brunel Investment Performance report now includes a page on responsible investment issues for each of the Brunel listed portfolios. This includes information on the carbon intensity of each portfolio, an independent assessment of the wider ESG performance of the companies within the portfolio, and a short commentary from Brunel on key issues identified.

19. Over time, the presentation of this data will be an important step in developing greater transparency about the impact of the current ESG policy and provide a benchmark against which the Committee can track questions and identify issues for follow up with Brunel and the underlying Fund Managers. This information also needs to be considered alongside the voting and engagement reports being developed by Brunel to develop a full picture of the impact of the current policy.

20. Following on from the Climate Change workshop, the Working Group will be looking to develop future reporting requirements to ensure that we can monitor

compliance with our proposed climate change policy. This work will be undertaken in conjunction with Brunel and other partners to ensure criteria can be developed and reported on in a standard way across the investment industry.

21. Improving Scheme Member Communications - The final priority included in the 2019/20 Business Plan is the continued development of Member Self Service (MSS). This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits.

22. In terms of progress, MSS is now the main means of distributing Annual Benefit Statements, pensioners P60's and their monthly payslips, letters to deferred members, retirement quotes and pension estimates. We continue to send out paper correspondence in these cases where the Member has elected to still receive all correspondence by post.

23. The next development will be the option for Members to log in and obtain estimates of their future pension benefits under a number of scenarios. This is currently being developed and tested before hopefully going live later this year.

Budget 2019/20

24. Annex 1 sets out the latest monitoring position against the budget agreed by the Committee at its March meeting. The main variation is on the staffing costs within the Pension Services Team where a £150,000 underspend is estimated, reflecting the levels of vacancies carried to date.

25. The other variations are an increase in investment management fees, reflecting the increase in total level of assets under management on which fees are payable. This is in part offset by the new rates obtained by Brunel from their tendering of the new portfolios. There is a small overspend in Actuary fees reflecting the more detailed work they have undertaken in respect of the major scheme employers, and a small underspend on the costs of the Committee and Local Pension Board.

Training Plan

26. A Training Plan for Committee Members was not included within the Business Plan. If the current proposal to Council to change the Constitution on the Committee to mandate compliance with the Training Policy is approved, then this element of the Business Plan report will include an assessment of compliance with the new policy.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins - Tel: 07554 103465
November 2019

2019/20 Pension Fund Budget- Q2 Update

	Budget	YTD	%	Forecast Outturn	Variance
	2019/20	2019/20		2019/20	2019/20
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,576	54	3%	1,426	-150
Support Services Including ICT	634	0	0%	634	0
Printing & Stationary	72	0	0%	72	0
Advisory & Consultancy Fees	160	0	0%	160	0
Other	60	0	0%	60	0
Total Administrative Expenses	**2,502**	**54**	**2%**	**2,352**	**-150**
Investment Management Expenses					
Management Fees	8,484	1,952	23%	8,600	116
Brunel Contract Costs	1,043	0	0%	1,043	0
Total Investment Management Expenses	**9,527**	**1,952**	**20%**	**9,643**	**116**
Oversight & Governance					
Investment Employee Costs	254	-54	-21%	254	0
Support Services Including ICT	11	0	0%	15	4
Actuarial Fees	160	0	0%	180	20
External Audit Fees	35	0	0%	35	0
Internal Audit Fees	15	0	0%	15	0
Advisory & Consultancy Fees	95	0	0%	95	0
Committee and Board Costs	49	0	0%	40	-9
Subscriptions and Memberships	50	0	0%	50	0
Total Oversight & Governance Expenses	**669**	**-54**	**-8%**	**684**	**15**
Total Pension Fund Budget	**12,698**	**1,952**	**15%**	**12,679**	**-19**

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Division(s): N/A

PENSION FUND COMMITTEE – 6 DECEMBER 2019

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the changes to the risk register and offer any further comments.**

Introduction

2. At their meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.

3. The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target and identifies any changes to the risks which have arisen since the register was last reviewed.

4. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2019/20. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

5. At their meeting on 25 October 2019, the Pension Board welcomed the changes to the format to include the traffic light summary assessment. They also confirmed that they were content that the risks were being adequately monitored and appropriate action was being taken where required.

Latest Position on Existing Risks

6. As previously reported, the first three risks on the risk register reflect the long-term risks associated with a mismatch of assets and liabilities resulting in a risk of not closing the current funding deficit and having insufficient funds to meet pension liabilities as they fall due. In light of the progress with the 2019 Valuation, the likelihood scores for both risk 1 and 3 have been reduced, reflecting the improved funding level (99%), the new risk-based approach to

setting contribution rates, and the analysis of take up of the 50:50 scheme. The scores on risk 2 have not yet been updated but will be reviewed in March 2020 following further analysis of the liability profile and the setting of the revised asset allocation.

7. We have retained the assessment on Risk 6 as Amber reflecting the increased attention to ESG issues including Climate Change both locally and nationally. Whilst the Committee has held the very well received Climate Change workshop in November, further mitigation of the risk is still to be determined through the development of our Climate Change Policy. The risk scores can be reviewed again in March 2020.

8. Finally, the status of risk 13 has been amended to Green reflecting the decisions of this Committee at its last meeting to adopt a new Training Policy and seek Council approval to amend the Committee's Constitution to mandate compliance with the Policy for all voting members of the Committee. Whilst the Council has not yet considered the issue, it is noted that a number of Committee members have recently attended the LGA Fundamentals Training sessions in line with the proposed mandatory policy.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465

November 2019

Risk Register

Identification of Risks:

These are the risks that threaten the achievement of the Pension Fund's objectives. Risks have been analysed between:

- Funding, including delivering the funding strategy;
- Investment;
- Governance
- Operational; and
- Regulatory.

Key to Scoring

	Impact	Financial	Reputation	Performance
5	Most severe	Over £100m	Ministerial intervention, Public inquiry, remembered for years	Achievement of Council priority
4	Major	Between £10m and £100m	Adverse national media interest or sustained local media interest	Council priority impaired or service priority not achieved
3	Moderate	Between £1m and £10m	One off local media interest	Impact contained within directorate or service priority impaired.
2	Minor	Between £100k and £500k	A number of complaints but no media interest	Little impact on service priorities but operations disrupted
1	Insignificant	Under £100k	Minor complaints	Operational objectives not met, no impact on service priorities.

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)
2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

RAG Status/Direction of Travel

	Risk requires urgent attention
	Risks needs to be kept under regular review
	Risk does not require any attention in short term
↑	Overall Risk Rating Score is Increasing (Higher risk)
↔	Risk Rating Score is Stable
↓	Overall Risk Rating Score is Reducing (Improving Position)

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	1	4	↓			4	1	4	Dec 2019	Risk likelihood reduced in light of latest Valuation results which show a funding level of 99%.
2	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	2	8	↔	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2020	4	1	4	Dec 2019	Actuary has developed draft long term cash forecast, and now looking at sensitivities, and income generating investment options.
3	Investment Strategy not aligned with Pension Liability Profile	Financial	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	1	3	↓			3	1	3	Dec 2019	Risk likelihood reduced in light of review of past experience as part of 2019 Valuation exercise.
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6	↔			3	2	6	Dec 2019	At Target – Needs to be kept under review as responsibility for Fund Manager monitoring switches to Brunel.
5	Actual results vary to key financial assumptions in Valuation	Financial	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6	↔			3	2	6	Dec 2019	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	Financial	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.	4	2	8	↔	Improve performance monitoring information on ESG scores within current investment portfolios, to identify any policy breaches by fund managers.	June 2019	4	1	4	Dec 2019	Climate Change Workshop held and looking to develop Climate Change Policy, including metrics and targets to feed into review of Investment Strategy Statement and Asset Allocation.

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
7	Loss of Funds through fraud or misappropriation.	Financial	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manage	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	Dec 2019	At Target – Needs to be kept under review as responsibility for Fund Manager monitoring switches to Brunel.
8	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	↔			3	2	6	Dec 2019	At Target
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	3	1	3	↔			3	1	3	Dec 2019	At Target
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3	↔			3	1	3	Dec 2019	At Target
11	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	1	4	↔			4	1	4	Dec 2019	At Target – but look for further improvement through implementation of iConnect.
12	Insufficient resources to deliver responsibilities- – LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	Dec 2019	At Target
13	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	1	4	↔			4	1	4	Dec 2019	Committee agreed mandatory training (subject to Council approval). Number of Members attended LGA Fundamental Training Programme
14	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	1	3	↔			3	1	3	Dec 2019	At Target
15	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4	↔			4	1	4	Dec 2019	At Target

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
16	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy.	4	1	4	↔			4	1	4	Dec 2019	At Target
17	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5	↔			5	1	5	Dec 2019	At Target
18	Failure of Pooled Vehicle to meet local objectives	Financial	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement in Project Brunel	4	1	4	↔			4	1	4	Dec 2019	At Target
19	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with One Oxfordshire project and with other key projects to ensure impacts fully understood	4	1	4	↔			4	1	4	Dec 2019	At Target – Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies.

Division(s): N/A

PENSION FUND COMMITTEE – 6 DECEMBER 2019

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATIONS

1. **The Committee is RECOMMENDED to:**

   (a) note the report and changes to reporting for Fire Service Pensions;
   (b) agree the changes to the administration strategy;
   (c) note change of date for the Pension Fund Forum.

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Introduction

2. This report is to update members on scheme administration data and issues.

Staffing

3. The overall position remains unchanged from the previous report which reported an overall shortfall against establishment of 4.33 FTE.

4. As previously noted, recruitment is on hold until such time as the full effect of the i-connect implementation has been assessed.

Workloads and Performance

5. The statistics are attached at annex 1. Overall the team has brought completion of work back to standard more quickly than anticipated when the temporary SLA targets were agreed. However, there are still some areas where the SLA is not being met, which are currently being reviewed.

Complaints

6. One complaint has been received in the quarter bringing the total to 6 complaints in 2019:

Year	Number of Complaints	Percentage of Active Membership
2109	06	0.03%
2018	21	0.10%
2017	28	0.14%

7. Additionally, there are two open cases from 2018 with the Pension Ombudsman waiting for a decision.

Projects

8. Administration to Pay - Re- testing of the software set up has started again but has had to be taken back to the beginning so that all changes made so far can be fully tested. Once completed the software can then be further tested by recreating actual cases in a test environment. If successful, this will go live in Spring 2020.

9. GMP Reconciliation - ITM has recently sent through a project update stating that the project will go on pause again until February 2020 whilst they complete the comparison with HMRC's final data extract. The delay is a direct consequence of the revised timescale that HMRC are working to, to complete their element of the project.

10. I-Connect - This project is on track with 100 scheme employers now live on the system, which includes all Town and Parish Councils. From phase 1, the only employer not yet live is Oxford Brookes University who have completed the data matching exercise and will be submitting a test file in November.

11. Phase 2 is fully completed and from phase 3 the only outstanding queries are:

- linked to larger employers *e.g. West Oxfordshire DC linked to Publica*
- contacts being amended *e.g. Camden unsure of status*
- Academy conversions. e*.g. Abbey Woods, John Mason.*
- Admission agreements still being finalised e.g. Clean Genie

12. These are now being picked up in Phase 4 which covers all remaining employers, all of whom have been contacted. For larger employers testing is to be done between November 2019 and April 2020. Any employers of concern will be reported at next Pension Fund Committee meeting.

13. Key highlights from the current work include:

- Oxford City Council are currently working on the CSV upload file. Payroll provider has been hired to write I-Connect report
- Cherwell are changing their payroll provider with effect from Feb 2020, so once in place will be back in contact. Moved to phase 5
- Access group – we have 5 schools LIVE, others will follow once larger schools has been tested.
- Larger employer like OCC we aim to be live with effect from 01/04/2020.

14. The final phase 5 commencing on 31 March 2020 will be the tidy up phase as well as ensuring that any new scheme employers are live on i-connect.

15. In addition to contacting and working with scheme employers to review, upload and test data ahead of going live the team are:

- Amending website pages – end of year information will be added to website for January 2020 – ensure website is user friendly
- Prepare I-Connect end of year process

- Document I-Connect for team training – produce employer checklist
- Pick up new employers, train Employer team to deal with these.

16. Member Self-Service - In October activation code letters were sent out to any active members who had not signed up (or made the decision to opt out) and in November activation code letters were sent out to deferred scheme members. Given that member self-service is intended to become the Fund's primary method of communication this will be an annual exercise to encourage members to sign up.

17. At present all documents are uploaded to member records, except in cases where the member has chosen to continue receiving paper copies. Once signed up members will, not only be able to view documents online but also make changes to personal information.

18. The next changes to be tested for release in 2020 are the facility to enable members to run estimate calculations and to upload documents which will then create a task in Altair for which they can monitor progress.

Employers

19. The end of year review identified 45 scheme employers (contracts) with issues to be resolved. Of these 15 relate to the ongoing project with Edwards & Ward. Of the remaining 30 some are simply for the team to review and check information held on the member's record.

20. The tables at annex 2 details the employer returns received this year. As members will note the percentages of returns received on time and without queries are still high. Where appropriate, fines have been issued in line with the administration strategy.

21. Scheme employers where there are issues to be resolved are:

    - Order of St John – find that years prior 18/19 pay information may be incorrect and so need to review
    - Vale White Horse District Council – various outsourcing arrangements to be resolved.
    - SODC – final pay – after issuing the ABS we were informed that incorrect final pay figures had been provided (despite our previously querying these). The employer has been fined for providing incorrect information. However, we are still waiting for them to contact their employees and tell Pension Services if they wish us to reissue ABS. If so, the cost of this work will be recharged.
    - Publica – final pay– after issuing the ABS we were informed that incorrect final pay figures had been provided (despite our previously querying these). The employer has been fined for providing incorrect information. However, we are still waiting for them to contact their employees and tell Pension Services if they wish us to reissue ABS. If so, the cost of this work will be recharged.
    - Camden – no response to final pay queries - fined
    - GLF – no response to final pay queries - fined

- CSAT – final pay queries and data queries need to be checked as not sure information provided is right, officers think this is more of a training issue and will be arranging to visit scheme employer.

Data Quality

22. These measures are reported on the annual scheme return to the Pension Regulator. It was reported:

Common Data:	98%	(97% in 2018)
Scheme Specific Data:	96%	(95% in 2018)

Detailed results are expected in early December, and these will be analysed to see what action can be taken to further improve the scores.

Administration Strategy

23. Officers recently reviewed the 2019 end of year process to see what changes, if any, could be made ahead of the 2020 end of year. The changes identified were limited given that end of year 2020 will be a hybrid with scheme employers making submissions by both current method and i-connect.

24. One area where there are plans to make changes to the communications and process was around ensuring that the submissions received do balance to the contributions paid over. As Members will be aware in 2019 the high number of returns which didn't balance and so had to be sent back to scheme employers pushed the whole timetable out.

25. To help achieve this, officers have identified some changes to the administration strategy:

- To add a charge of £150 for the submission of incorrect data returns. This is to address the issue where some scheme employers submitted random information to meet deadlines and avoid charges for late submission.

- To amend the charge for re-do of work due to incorrect information being supplied by scheme employer from £75 per return to £50 per member record.

- To reduce the time period between chases, set out in the escalation process from 10 days to 5 days.

Write Off

26. In the last quarter a total of £155.35 has been written off in 16 cases where member has died and two cases where an error in Pension Services resulted in an overpayment of pension.

Pension Fund Forum

27. To avoid clashing with election date this has been re-arranged for Friday 17 January 2020.

Fire Pension Administration Report

28. At the recent Fire Pension Board meeting members requested that a separate administration report was written and submitted to this Committee. This is the first of these reports.

Governance:

29. The Fire Pension Board is currently one member short against SAB guidelines, which will be remedied when the current Chair hands over to the new Assistant Chief Fire Officer but remains a member of the Board.

30. National advice is for Boards to hold at least 4 meetings per year with a minimum of 3. All present agreed that the Fire Fighters Pension Board would meet 4 times per year and, where possible, these meetings will take place on the same day as the LGPS Pension Board meeting.

31. The Chair updated the Board on the information he has received providing detail on the basic level of information Services should have available on their Pension Advice website pages. The information available on the website should include

- Pension Board Terms of Reference
- Internal Dispute Resolution Procedures
- Pension Board Governance
- Training Plans for Board Members
- Risk Registers

32. Fire Service Pensions risk register has previously been included as part of the overall Pension Fund's risk register. As the Fire Service has a slightly different way of looking at risk the Board decided that the Fire Service Pensions specific risks should be shown in a separate document to be presented to this Committee each quarter.

33. Legal Challenge on Age Discrimination: The dates for the tribunals have been set so need to await the outcomes. All administration must be based on current regulations until remedy has been determined and implemented.

34. Officers advised that the O'Brien Case could affect the modified exercise which effectively extending the date to which service can be backdated to before 1st July 2000. Guidance will come from the LGA and, if this is the case, there will need to be a change of regulations.

Administration

35. The Board expressed some concern that knowledge of the Fire Service Pension Schemes administration is limited to two people within the Pension Services Team. One additional team member is currently being trained. It was agreed that officers would present an outline training plan for team members. However, as shown in the attached performance statistics, at annex 3, the number of cases available for training purposes are low.

36. Annual Benefits Statements - the annual exercise is complete and annual benefit statements were all issued by the deadline of 31st August 2019.

37. Pension Saving Statements – all pension saving statements were issued by the deadline of 6 October 2019.

38. The Pension Regulator annual returns have been submitted. These include the scheme data quality scores which were recorded as:

- Common Data: 94%
- Scheme Specific Data: 63%

39. It should be noted that the criteria for the assessment of scheme specific data for the Fire Schemes only has changed hence the lower score being recorded this time around. Detailed results are expected in early December, and these will be analysed to see what action can be taken to improve the scores going forward.

40. The Pension Regulator Governance Returns, to be completed by the Board are due in November 2019.

LORNA BAXTER
Director of Finance

Background papers: None
Contact Officer: Sally Fox - Tel: 01865 323854

November 2019

Benefit Adminisation Monthly SLA Statistics

Subject	Legal Deadline	SLA Deadline	SLA Target	Temporary SLA Target Apr - Aug	Temporary SLA Target Sep- Dec	Apr-19 Total Number Completed	Apr-19 % Achieved in SLA deadline	Apr-19 % Achieved in Legal deadline	May-19 Total Number Completed	May-19 % Achieved in SLA deadline	May-19 % Achieved in Legal deadline	Jun-19 Total Number Completed	Jun-19 % Achieved in SLA deadline	Jun-19 % Achieved in Legal deadline
APC			**90%**	**70%**	**80%**									
Deaths	Notify dependants of death benefits within 2 months from date of becoming aware of death	10 working days	**95%**	**75%**	**85%**	36	91.67%		91	79.12%	TBC	58	68.97%	TBC
Retirements	Notify amount of retirement benefits; within 1 months if on or after NPA; or 2 months from date of retirement if before NPA. Retirement Quote no more than 2 months from date of request unless already abother request has been made within 12 months	10 working days	**95%**	**75%**	**85%**	91	84.62%		122	84.43%	100.00%	144	92.36%	100.00%
Divorce	Provide a quotation 3 months	10 working days	**95%**	**75%**	**85%**	9	100.00%		24	100.00%		12	91.67%	
Interfund In	N/A	10 working days	**90%**	**70%**	**80%**	27	62.96%		38	50.00%		81	65.43%	
Transfer In	Obtain transfer information and provide a quotation within 2 months from date of request	10 working days	**90%**	**70%**	**80%**	19	78.95%		27	55.56%	100.00%	55	80.00%	94.74%
Interfund Out	N/A	10 working days	**95%**	**75%**	**85%**	30	90.00%		21	80.95%		24	87.50%	
Transfer out	Provide a quotation 3 months	10 working days	**95%**	**75%**	**85%**	37	94.59%		43	95.35%	100.00%	39	94.87%	100.00%
Member Estimate	Provide retriement quote no more than 2 months from date of request unless there has been a request already in last 12 months	10 working days	**90%**	**70%**	**80%**	73	79.45%		119	92.44%	100.00%	82	97.56%	100.00%
HR Estimate	N/A	10 working days	**90%**	**70%**	**80%**	8	87.50%		16	100.00%		13	92.31%	
Refunds	N/A	10 working days	**95%**	**75%**	**85%**	43	83.72%		59	62.71%		34	100.00%	
Leavers*	Inform members who left th scheme of their leaver rights and options no more than 2 months from date of notification	40 working days	**90%**	**70%**	**80%**	206	77.18%		492	87.80%	87.80%	580	91.55%	91.55%
Re-employments**	N/A	40 working days	**90%**	**70%**	**80%**	154	70.78%		125	80.00%		64	71.88%	
Assistants***	N/A	10 working days	**90%**	**70%**	**80%**	0	TBC	TBC	21	95.00%		191	100.00%	
Starters (PPF)	Send notification of joining	20 working days	**95%**	**75%**	**85%**	0	TBC	TBC	0	TBC	TBC	0	TBC	TBC
Totals / Average Overall						733	83.45%		1198	88.61%	97.56%	1377	87.24%	98.31%

Subject	Jul-19 Total Number Completed	Jul-19 % Achieved in SLA deadline	Jul-19 % Achieved in Legal deadline	Aug-19 Total Number Completed	Aug-19 % Achieved in SLA deadline	Aug-19 % Achieved in Legal deadline	Sep-19 Total Number Completed	Sep-19 % Achieved in SLA deadline	Sep-19 % Achieved in Legal deadline	Oct-19 Total Number Completed	Oct-19 % Achieved in SLA deadline	Oct-19 % Achieved in Legal deadline
APC										12	83.33%	
Deaths	38	78.95%	TBC	71	80.28%	TBC	60	93.33%	TBC	67	89.55%	TBC
Retirements	105	95.24%	100.00%	116	92.24%	100.00%	78	96.15%	100.00%	133	100.00%	100.00%
Divorce	15	100.00%		13	100.00%		8	100.00%		14	100.00%	
Interfund In	74	93.24%		40	100.00%		32	93.75%		63	79.37%	
Transfer In	46	71.74%	84.78%	60	96.67%	96.67%	36	100.00%	100.00%	45	91.11%	100.00%
Interfund Out	24	95.83%		53	90.57%		35	97.22%		45	100.00%	
Transfer out	24	95.83%	100.00%	43	95.35%	100.00%	36	100.00%	100.00%	44	97.73%	100.00%
Member Estimate	70	87.14%	100.00%	97	97.94%	100.00%	72	100.00%	100.00%	108	95.37%	100.00%
HR Estimate	15	100.00%		14	92.86%		9	100.00%		4	100.00%	
Refunds	50	100.00%		90	95.56%		62	96.77%		85	94.12%	
Leavers*	625	80.80%	80.80%	536	95.34%	95.34%	378	97.62%	97.62%	816	98.90%	98.90%
Re-employments**	245	81.22%		156	98.72%		143	90.91%		157	99.36%	
Assistants***	278	100.00%		263	98.48%		248	100.00%		357	100.00%	
Starters (PPF)	0	TBC	TBC		TBC	TBC		TBC	TBC		TBC	TBC
Totals / Average Overall	1609	90.77%	98.31%	1552	94.92%	98.40%	1197	97.37%	99.52%	1938	95.81%	99.52%

* Frozen, Deferred, Concurrent

** Elect to Separate, Re-emp quote, Re-emp Actual,

*** Address, Name, Nomination, IFA Requests

SLA not met

Temp SLA met

Standard SLA met

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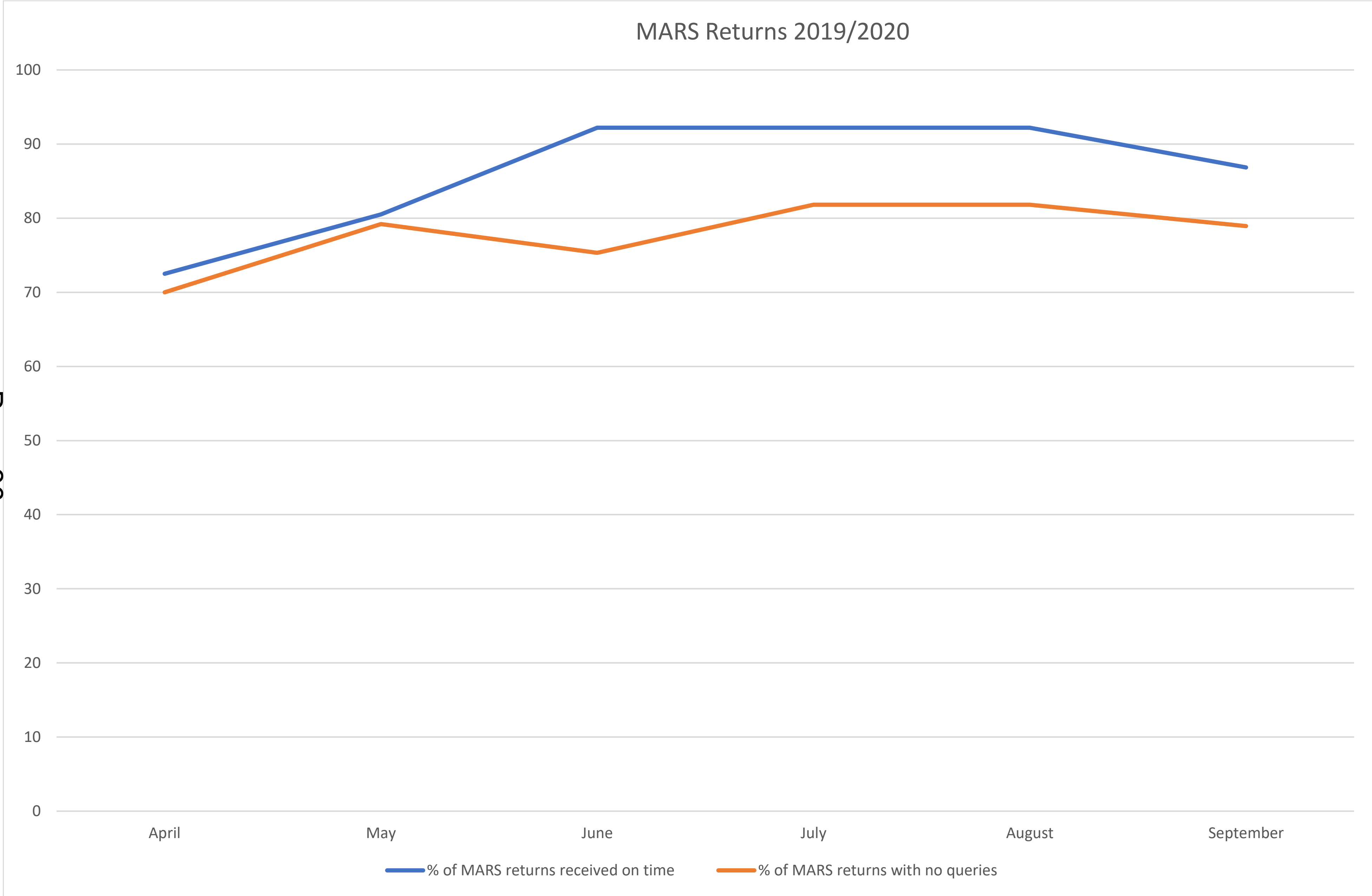
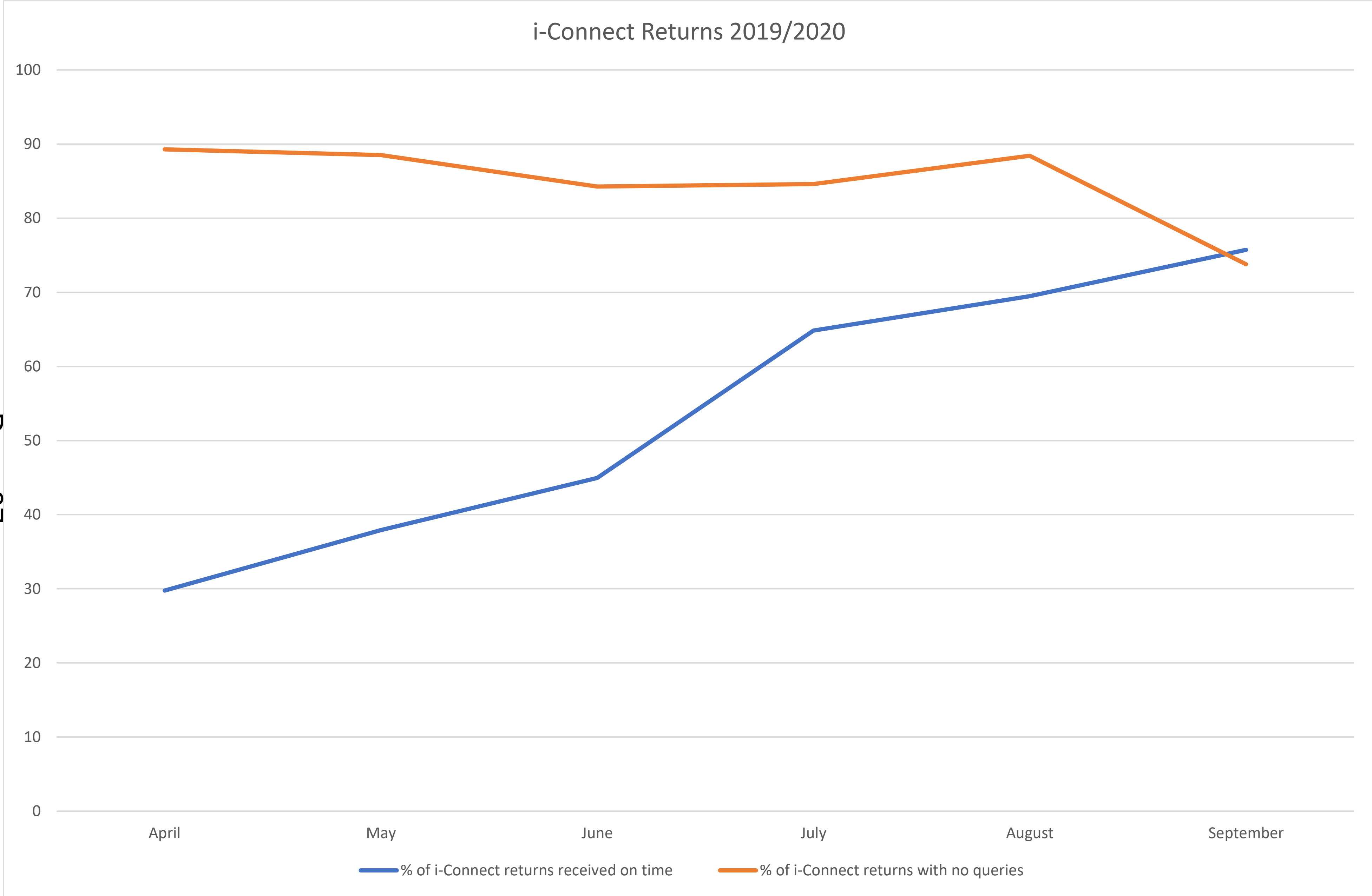
MARS 2019/2020	Number of employers submitting MARS returns	No. of MARS returns received on time	% of MARS returns received on time	No. of MARS returns with no queries	% of MARS returns with no queries
April	**80**	58	73	56	70
May	**77**	62	81	61	79
June	**77**	71	92	58	75
July	**77**	71	92	63	82
August	**77**	71	92	63	82
September	**76**	66	87	60	79

i-Connect 2019/2020	Number of employers submitting i-Connect returns	No. of i-Connect returns received on time	% of i-Connect returns received on time	No. of i-Connect returns with no queries	% of i-Connect returns with no queries
April	**84**	25	30	75	89
May	**87**	33	38	77	89
June	**89**	40	45	75	84
July	**91**	59	65	77	85
August	**95**	66	69	84	88
September	**103**	78	76	76	74


MARS Returns 2019/2020
100
90
80
70
60
50
40
30
20
10
0
April
May
June
July
August
September
% of MARS returns received on time
% of MARS returns with no queries


i-Connect Returns 2019/2020
100
90
80
70
60
50
40
30
20
10
0
April
May
June
July
August
September
% of i-Connect returns received on time
% of i-Connect returns with no queries

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Monthly SLA Statistics

Subject	Legal Deadline	SLA Deadline	SLA Target	Temporary SLA Target Apr - Dec
Deaths	Notify dependants of death benefits within 2 months from date of becoming aware of death	10 working days	95%	75%
Retirements	Notify amount of retirement benefits; within 1 months if on or after NPA; or 2 months from date of retirement if before NPA. Retirement Quote no more than 2 months from date of request unless already abother request has been made within 12 months	10 working days	95%	75%
Divorce	Provide a quotation 3 months from date of reque	10 working days	95%	75%
After retirement adjustments	N/A	10 working days	90%	70%
Transfer In	Obtain transfer information and provide a quotation within 2 months from date of request	10 working days	90%	70%
Transfer out	N/A	10 working days	95%	75%
Member Estimate	Provide a quotation 3 months from date of reque	10 working days	95%	75%
HR Estimate	Provide retriement quote no more than 2 months from date of request unless there has been a request already in last 12 months	10 working days	90%	70%
Refunds	N/A	10 working days	90%	70%
Leavers*	N/A	10 working days	95%	75%
Member Queries	Inform members who left th scheme of their leaver rights and options no more than 2 months from date of notification	40 working days	90%	70%
Member changes	N/A	40 working days	90%	70%
Totals / Average Overall	N/A	10 working days		
	Send notification of joining the LGPS to member 2 months from date joining or 1 month of receiving information of being enrolled / auto-enrolled	20 working days		

Subject	Apr-19 Total Number Completed	Apr-19 % Achieved in SLA deadline	May-19 Total Number Completed	May-19 % Achieved in SLA deadline	Jun-19 Total Number Completed	Jun-19 % Achieved in SLA deadline	Jul-19 Total Number Completed	Jul-19 % Achieved in SLA deadline
Deaths	1	100.00%	0	100.00%	2	0.00%	0	100.00%
Retirements	1	100.00%	2	100.00%	1	100.00%	4	100.00%
Divorce	0	100.00%	2	100.00%	0	100.00%	0	100.00%
After retirement adjustments	3	0.00%	1	100.00%	2	50.00%	0	100.00%
Transfer In	1	0.00%	0	100.00%	1	0.00%	0	100.00%
Transfer out	0	100.00%	0	100.00%	1	0.00%	2	0.00%
Member Estimate	0	100.00%	0	100.00%	0	100.00%	0	100.00%
HR Estimate	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Refunds	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Leavers*	4	50.00%	0	100.00%	4	75.00%	1	0.00%
Member Queries	12	75.00%	8	87.50%	3	100.00%	5	100.00%
Member changes	3	0.00%	3	33.00%	6	83.00%	1	100.00%
Totals / Average Overall	25	68.75%	16	93.38%	20	67.33%	13	83.33%

Subject	Aug-19 Total Number Completed	Aug-19 % Achieved in SLA deadline	Sep-19 Total Number Completed	Sep-19 % Achieved in SLA deadline	Oct-19 Total Number Completed	Oct-19 % Achieved in SLA deadline
Deaths	0	100.00%	0	100.00%	0	100.00%
Retirements	3	100.00%	1	100.00%	3	100.00%
Divorce	0	100.00%	0	100.00%	0	100.00%
After retirement adjustments	3	75.00%	0	100.00%	1	100.00%
Transfer In	0	100.00%	2	0.00%	0	100.00%
Transfer out	1	0.00%	0	100.00%	0	100.00%
Member Estimate	0	100.00%	3	100.00%	2	100.00%
HR Estimate	0	100.00%	0	100.00%	0	100.00%
Refunds	0	100.00%	0	100.00%	0	100.00%
Leavers*	5	80.00%	2	0.00%	1	100.00%
Member Queries	8	87.50%	7	100.00%	15	100.00%
Member changes	2	50.00%	0	100.00%	6	83.33%
Totals / Average Overall	22	82.71%	15	83.33%	28	98.61%

* Frozen, Deferred, Concurrent

** Elect to Separate, Re-emp quote, Re-emp Actual,

*** Address, Name, Nomination, IFA Requests

SLA not met
Temp SLA met
Standard SLA met

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Division(s): N/A

PENSION FUND COMMITTEE – 6 DECEMBER 2019

CLIMATE CHANGE POLICY

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to note the position on the development of the Climate Change Policy and the establishment of a Working Group to undertake the next stages of the work.

Introduction

1. At their meeting on 7 June 2019, the Committee agreed to hold a workshop on Climate Change to support the development of their own policy which would in turn feed into the Investment Strategy Statement and Asset Allocations to be agreed in March 2020.

2. This report feeds back on the Workshop and the main issues arising and proposes the next steps in the process. This includes an update on the development of Brunel's own Climate Change Policy which is seen as a key document to support and facilitate our own Policy. It is intended that a full draft Climate Change Policy will be produced to be reviewed at the meeting of this Committee in March 2020, to be then subject to formal consultation with key stakeholders, before formal adoption at the June 2020 meeting of this Committee.

Climate Change Workshop – 8 November 2019

3. As instructed by the Committee, the Workshop was designed to ensure input from a variety of stakeholders to ensure all views were heard and considered before determining the policy direction. To support the effective management of these various views, it was agreed to appoint an Independent Facilitator to support the planning for the Workshop and to manage the event on the day. Officers appointed Dawn Reeves, a Certified Professional Facilitator with the Internal Association of Facilitators.

4. To ensure that the Workshop covered the views of the key stakeholder groups, Officers held a planning session with representatives of Fossil Free Oxfordshire and invited them to propose expert speakers who could contribute to the discussions on the day. Fossil Free Oxfordshire proposed 6 speakers, of which 5 were able to participate on the day, with the 6th having a prior engagement.

5. Following two planning meetings, the first with Officers and the second with Officers, the Chairman and Cllr Sanders, the full programme for the day was

planned by Dawn Reeves, including the engagement with all contributors. Final sign-off was by Officers.

6. The Workshop itself was attended by 9 members of the Committee and 5 members of the Pension Board. They were joined by 3 Officers from the Fund, 3 representatives of Fossil Free Oxfordshire, 2 Climate Change Lead Members from the District Councils and the Fund's Independent Financial Adviser.

7. The Workshop consistent of three main sessions which involved short 10-minute inputs from our expert speakers, followed by table discussions on questions set by the facilitator. Seating at each of the tables had been planned to ensure a cross range of stakeholders at each table.

8. The expert speakers who contributed to the day were:

- Professor Richard Allan, University of Reading – a lead author on papers from the Intergovernmental Panel on Climate Change
- Kingsmill Bond – an energy strategist and member of Carbon Tracker
- Pascale Gordeau – a student at Oxford University to present the youth perspective
- Marion Maloney, Policy Governance and Risk Manager from the Environment Agency Pension Fund
- Henrik Wold Nilsen, a Fund Manager from Storebrand, who delivered his contribution by Skype, as on principle he refuses to fly where there are alternative lower carbon means of delivering his message
- Iancu Damarus – an energy analyst, Legal & General Investment Management
- Joel Moreland – a financial consultant
- Faith Ward – Chief Responsible Investment Officer from Brunel
- Lauren Juliff – Head of UK Institutional, Skagen (part of Storebrand)
- Chris Lyons – Client Director, Legal & General Investment Management
- Revd Hugh Lee – Church of England
- Alistair Bastin, Unison – a member of the Local Pension Board who provided feedback on a recent Unison survey amongst scheme members.

9. The independent Facilitator noted a high level of consensus in the room along with a real willingness to engage in the complex issues. She has produced a summary report of the key outputs from the Workshop which have been circulated to all attendees and which will support the next steps of the process.

10. Some of the key outputs from the day include:

- Our first priority must be our fiduciary duty to the beneficiaries of the Fund
- We recognise that the risks posed to our investments by climate change are real, and that the financial system can and should do more to address these risks

- We recognise the need for a managed transition from the current reliance on oil and gas (although this needs greater clarification and understanding of the mechanisms for delivery
- We need to collaborate with others to achieve the best outcomes
- We need to aim to contribute to a low carbon world, consistent with a maximum 2-degree scenario (some would like to see this as a 1.5 degree maximum
- No single approach is likely to be fully successful, and we will need a combination of engagement and divestment to deliver our desired outcomes
- We need to ensure transparency from our investments, with clear engagement targets and timescales. Divestment should be a sanction where companies are not working towards full transparency or becoming aligned with the Paris Treaty in the stipulated timescales
- There is a considerable information shortfall, and we should seek to bring investment industry wide pressure to address this – doing nothing though whilst we wait for better information is not an option
- We need better metrics and clear targets (although we need to do more work on what these should be)
- There is a major communication gap to our scheme members and to the wider stakeholders about our current investments and our policies. Considerable work needs to be achieved in this area
- We also need to invest in the solutions to a sustainable world, building on the existing investments in renewable energy etc made by the Fund
- In addressing the risks of climate change we need to ensure we do not lose sight of the wider UN Sustainable Development Goals and manage any competing risks
- We need a robust assurance and accountability framework with Brunel to ensure they are in turn managing the underlying Fund Managers to deliver our objectives
- Measures need to include financial performance, carbon emissions, carbon risk scores, compliance with the Task Force on Climate related Financial Disclosures, carbon efficiency, progress on delivery action plans towards Paris Treaty compliance.

12. There was a strong consensus that the Workshop had been a major success, with Fossil Free Oxfordshire stating that “Today’s workshop felt like a huge change in how we can engage with the Pension Fund and have ongoing constructive conversations”. It is therefore important how the outcomes are taken forward.

13. The Workshop did look at next steps. It was felt that a small working group should meet before the end of 2019 to take forward the issues identified above, but to seek feedback from the wider group before producing a Policy document for the Committee to consider in March 2020. Initial proposals for membership of the Working Group is the Chairman, Deputy Chairman and Opposition Spokesperson to ensure political input, the Independent Financial Advisor and a representative from Fossil Free Oxfordshire to ensure a balance of views.

14. It was agreed that the Policy should set a clear direction of travel, with specific targets and timescales. Given the current issues with information standards in this area, and full transparency and disclosure against any such standards, it is likely that initial targets will need to be in respect of develop a robust set of measures, with more specific targets to be set against such metrics to be determined at a later date.

15. However, it was also recognised that all of this has a degree of urgency, and concrete action needs to be taken now if we are to achieve our overall objectives in contributing towards a less than 2-degree scenario and therefore protecting our future investment returns.

16. Finally, the Group felt that there would be real benefit in bringing a similar group back together on a regular basis to review progress against the Policy and ensure it remained relevant as climate science develops further and new evidence on impacts and mitigations is identified.

Brunel Climate Change Policy

17. As part of the presentation from Faith Ward of Brunel, there was some discussion of the approach to Climate Change being developed by Brunel. The initial intention was to publish the Policy before the end of the year, but this has now been delayed until the end of January/beginning of February 2020.

18. The Policy is being developed around 5 themes to deliver an overall objective to contribute to a below 2-degree scenario and to challenge the investment industry to structural reform to deliver a sustainable future. The 5 themes are around policy advocacy (lobbying decision makers around carbon pricing, climate change transparency and regulatory barriers to a renewable future), product governance (low carbon options, positive impact options, integrating the management of climate risks across all portfolios, climate change reporting), portfolio management (assessment tools for Paris Treaty compliant portfolios, assessment tools for monitoring investment managers and their stock selection practices), positive impact (e.g. renewables, products required to develop a sustainable future) and persuasion (focus on engagement outcomes, co-filing resolutions at AGMs, voting policies).

19. A key element of the Policy is to introduce a stock take in 2022 to review the success of progress to date and amend the approach as necessary. This would include decisions around divestment where sufficient progress has not been through engagement and voting policies, recognising that the implementing a widespread divestment approach in 2022 reflects a failure of the investment management industry to address the climate change risks prevalent today.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins

Tel: 07554 103465

November 2109

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PENSION FUND COMMITTEE – 06 DECEMBER 2019

SETTING OBJECTIVES FOR THE INDEPENDENT FINANCIAL ADVISER

Report by Director of Finance

RECOMMENDATIONS

1. **The Committee is RECOMMENDED to agree the strategic objectives for the IFA as set out in paragraph 11 of the report, for inclusion in the IFA contract**

Introduction

2. On 14 September 2017, in exercise of its powers under sections 131 and 133 of the Enterprise Act 2002 (the Act) as provided for by section 234I of the Financial Services and Markets Act 2000, the Financial Conduct Authority (FCA) made an ordinary reference to the Chair of the Competition and Markets Authority (CMA) for the constitution of a group to conduct a market investigation of the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK.

3. On 12 December 2018, the CMA published its report on the market investigation reference entitled Investment Consultants Market Investigation Final Report (the report).

4. In the report, the CMA decided (among other matters) that:

   (a) features of the investment consultancy market, individually and in any combination, restrict or distort competition in connection with the supply and acquisition of investment consultancy services in the UK to and by pension scheme trustees and thereby have an adverse effect on competition (AEC) in respect of investment consultancy services;

   (b) features of the fiduciary management market, individually and in any combination, prevent, restrict or distort competition in connection with the supply and acquisition of fiduciary management services in the UK to and by pension scheme trustees and thereby have an AEC in respect of fiduciary management services; and

   (c) the CMA should take action to remedy, mitigate or prevent each AEC and the detrimental effect on customers that may be expected to result from each AEC.

5. On 11 February 2019, in accordance with section 165 of, and paragraph 2(1)(a) of Schedule 10 to, the Act, the CMA published a Notice of its intention to make an Order and the proposed Order as part of a package of remedies to remedy, mitigate or prevent the AECs and resulting customer detriment which it had

found in the report. In accordance with paragraph 2(1)(b) of Schedule 10 to the Act, the CMA has considered representations made in accordance with the Notice and not withdrawn.

6. On 5 April 2019, this Order was notified to the European Commission pursuant to Article 24(12) Directive 2014/65/EU (on markets in financial instruments) in respect of additional requirements intended to be imposed by the Order and the two-month period under that Article for the European Commission to provide its opinion on the proportionality of and justification for the additional requirements has concluded.

Impact on the Pension Fund

7. Part 7 of the Order, 'Investment Consultancy Services – objective setting', prohibits Pension Scheme Trustees (whose definition in the Order includes LGPS Committees) from entering into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or from continuing to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.

8. The Pension Fund's contract with MJ Hudson Investment Advisers Limited for the services of an Independent Financial Adviser (IFA) falls under the definition of the provision of Investment Consultancy Services under the Order. As such, the Committee is required to set strategic objectives for the IFA.

9. Under the Order, and considering the accompanying Explanatory Note issued by the CMA, the objectives:

   - Should be 'closely linked' to the Fund's investment objectives
   - Should be reviewed at least every three years and after a significant change to the investment strategy or objectives
   - Should be established no later than 10 December 2019 (i.e. 6 months following the date of the final Order published by the CMA) or prior to appointment of a new investment consultant.

IFA Objectives

10. The following is proposed to be included in the IFA contract prior to 10 December 2019 as strategic objectives:

11. Provide strategic investment advice to:

    (a) deliver the Pension Fund's target of achieving and maintaining a 100% funding level, balancing risk and return in the achievement of this objective and having regard to the Fund's Investment Strategy Statement

(b) ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments as they fall due

(c) achieve the target investment return as set out in the Fund's Investment Strategy Statement, as amended from time to time.

12. As part of the annual review of the IFA, the objectives will be reviewed for appropriateness and performance against the targets will be assessed.

LORNA BAXTER
Director of Finance

Background papers: Nil

Contact Officer: Gregory Ley

November 2019

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th SEPTEMBER 2019

	COMBINED PORTFOLIO 01.07.19	Brunel Pension Partnership UK Equities		Brunel Pension Partnership Passive Equities		Wellington Global Equities		Legal & General Fixed Interest		UBS Global Equities and Property		Brunel Pension Partnership Other Investments		In House Other Investments		COMBINED PORTFOLIO 30.09.19		
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Target %**
EQUITIES																		
UK Equities*	**705,494**	**453,225**	**99.8%**	**203,014**	**43.5%**	**16,526**	**6.3%**	**0**	**0.0%**	**33,137**	**6.8%**	**0**	**0.0%**	**0**	**0.0%**	**705,902**	**26.3%**	**26.0%**
Overseas Equities	**813,609**	**0**	**0.0%**	**263,576**	**56.5%**	**235,654**	**90.1%**	**0**	**0.0%**	**314,940**	**64.4%**	**0**	**0.0%**	**0**	**0.0%**	**814,170**	**30.3%**	**28.0%**
BONDS																		
UK Gilts	95,380	0	0.0%	0	**0.0%**	0	0.0%	123,987	23.3%	0	0.0%	0	0.0%	0	0.0%	123,987	4.6%	
Corporate Bonds	154,469	0	0.0%	0	**0.0%**	0	0.0%	154,764	29.1%	0	0.0%	0	0.0%	0	0.0%	154,764	5.8%	
Overseas Bonds	72,646	0	0.0%	0	**0.0%**	0	0.0%	68,400	12.8%	0	0.0%	0	0.0%	0	0.0%	68,400	2.5%	
Index-Linked	172,488	0	0.0%	0	**0.0%**	0	0.0%	176,122	33.1%	0	0.0%	0	0.0%	0	0.0%	176,122	6.6%	
Total Bonds	**494,983**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**523,273**	**98.3%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**523,273**	**19.5%**	**16.0%**
ALTERNATIVE INVESTMENTS																		
Property	165,060	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	132,335	27.1%	0	0.0%	29,160	6.3%	161,495	6.0%	8.0%
Private Equity	188,172	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	6,501	38.4%	190,067	41.1%	196,568	7.3%	9.0%
Multi Asset - DGF	119,559	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	0	0.0%	152,364	32.9%	152,364	5.7%	5.0%
Infrastructure	16,078	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	7,239	42.8%	12,824	2.8%	20,063	0.7%	3.0%
Secured Income	2,981	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	3,015	17.8%	0	0.0%	3,015	0.1%	5.0%
Total Alternative Investments	**491,850**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**132,335**	**27.1%**	**16,755**	**99.0%**	**384,415**	**83.1%**	**533,505**	**19.9%**	**30.0%**
CASH	**95,593**	**874**	**0.2%**	**0**	**0.0%**	**9,348**	**3.6%**	**9,322**	**1.8%**	**8,507**	**1.7%**	**167**	**1.0%**	**78,549**	**17.0%**	**106,767**	**4.0%**	**0.0%**
TOTAL ASSETS	**2,601,529**	**454,099**	**100.0%**	**466,590**	**100.0%**	**261,528**	**100.0%**	**532,595**	**100.0%**	**488,919**	**100.0%**	**16,922**	**100.0%**	**462,964**	**100.1%**	**2,683,617**	**100.0%**	**100.0%**
% of total Fund		16.92%		17.39%		9.75%		19.85%		18.22%		0.63%		17.25%		100.00%		

* During the quarter the Baillie Gifford UK Equities portfolio was transitioned in full to the Brunel UK Equities portfolio.

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Changes in Market Value						
	Brunel Pension Partnership UK Equities	**Brunel Pension Partnership Passive Equities**	**Wellington Global Equities**	**Legal & General Fixed Interest**	**UBS Global Equities and Property**	**Brunel Pension Partnership Other Investments**	**In House Other Investments**
	£000	£000	£000	£000	£000	£000	£000
EQUITIES							
UK Equities	1,324	2,388	2,376	0	(3,917)	0	0
				0	0	0	0
Overseas Equities	0	10,474	6,348	0	10,795	0	0
	0	0	0	0	0	0	0
BONDS	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
UK Gilts	0	0	0	12,979	0	0	0
Corporate Bonds	0	0	0	295	0	0	0
Overseas Bonds	0	0	0	1,657	0	0	0
Index-Linked Bonds	0	0	0	14,099	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
ALTERNATIVE INVESTMENTS	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
Property	0	0	0	0	(334)	0	219
Private Equity	0	0	0	0	0	1,061	8,600
Multi Asset - DGF	0	0	0	0	0	0	2,805
Infrastructure	0	0	0	0	0	13	148
Secured Income	0	0	0	0	0	34	0
SUB TOTAL	1,324	12,862	8,724	29,030	6,544	1,108	11,772
CASH *	0	0	0	0	0	0	0
GRAND TOTAL	**1,324**	**12,862**	**8,724**	**29,030**	**6,544**	**1,108**	**11,772**

* Movement in cash is not confined to investment transactions but also includes dividend income and the payment of fees.   Further details of cash movements can be found in the Managers' indi

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th SEPTEMBER 2019

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th September 2019	QUARTER ENDED 30th September 2019 RETURN %	12 MONTHS ENDED 30th September 2019 RETURN %	THREE YEARS ENDED 30th September 2019 RETURN %	FIVE YEARS ENDED 30th September RETURN %	TEN YEARS ENDED 30th September 2019 RETURN %
BRUNEL - UK EQUITIES	16.9%	0.3				
BENCHMARK		1.3				
VARIATION		**-1.0**				
WELLINGTON GLOBAL EQUITIES	9.7%	4.3	5.5	10.6	11.2	
BENCHMARK		3.4	7.9	12.0	12.9	
VARIATION		**0.9**	**-2.4**	**-1.4**	**-1.7**	
BRUNEL - L&G UK EQUITIES - PASSIVE	7.6%	1.3	2.8			
BENCHMARK		1.3	2.7			
VARIATION		**0.0**	**0.1**			
BRUNEL - L&G WORLD DEVELOPED EQUITIES - PASSIVE	9.8%	3.9	7.9			
BENCHMARK		3.9	7.9			
VARIATION		**0.0**	**0.0**			
L&G FIXED INCOME	19.8%	5.6	14.1	4.0	7.3	7.2
BENCHMARK		6.7	16.3	4.7	7.6	7.3
VARIATION		**-1.1**	**-2.2**	**-0.7**	**-0.3**	**-0.1**
IN-HOUSE PROPERTY	1.1%	1.1	3.5	7.9	10.3	
BENCHMARK		0.4	2.2	6.7	7.5	
VARIATION		**0.7**	**1.3**	**1.2**	**2.8**	
PRIVATE EQUITY	7.1%	5.1	12.6	14.8	17.1	14.8
BENCHMARK		-1.0	-2.9	5.6	6.3	8.1
VARIATION		**6.1**	**15.5**	**9.2**	**10.8**	**6.7**

FUND MANAGER	% Weighting of Fund as at 30th September 2019	QUARTER ENDED 30th September 2019 RETURN %	12 MONTHS ENDED 30th September 2019 RETURN %	THREE YEARS ENDED 30th September 2019 RETURN %	FIVE YEARS ENDED 30th September RETURN %	TEN YEARS ENDED 30th September 2019 RETURN %
IN-HOUSE INFRASTRUCTURE	0.5%	1.4	11.2			
BENCHMARK		1.2	4.7			
VARIATION		**0.2**	**6.5**			
UBS GLOBAL EQUITIES	13.0%	2.0	5.8	12.7	12.0	10.1
BENCHMARK		3.4	7.9	12.3	13.1	11.0
VARIATION		**-1.4**	**-2.1**	**0.4**	**-1.1**	**-0.9**
UBS PROPERTY	5.2%	0.7	3.4	7.0	8.1	8.8
BENCHMARK		0.4	2.2	6.7	7.5	8.7
VARIATION		**0.3**	**1.2**	**0.3**	**0.6**	**0.1**
INSIGHT DIVERSIFIED GROWTH FUND	5.7%	2.1	5.4	4.6		
BENCHMARK		1.2	4.7	4.2		
VARIATION		**0.9**	**0.7**	**0.4**		
IN-HOUSE CASH	2.9%	0.2	0.8	0.5	0.5	0.8
BENCHMARK		0.2	0.8	0.6	0.5	0.5
VARIATION		**0.0**	**0.0**	**-0.1**	**0.0**	**0.3**
BRUNEL - PRIVATE EQUITY	0.2%	21.1				
BENCHMARK		3.4				
VARIATION		**17.7**				
BRUNEL - INFRASTRUCTURE	0.3%	1.2				
BENCHMARK		0.6				
VARIATION		**0.6**				
BRUNEL - SECURED INCOME	0.1%	1.2				
BENCHMARK		0.6				
VARIATION		**0.6**				
TOTAL FUND	**100.0%**	**2.9**	**6.2**	**8.7**	**9.5**	**9.5**
BENCHMARK		**2.5**	**6.3**	**8.2**	**8.8**	**9.2**
VARIATION		**0.4**	**-0.1**	**0.5**	**0.7**	**0.3**

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 30/09/2019

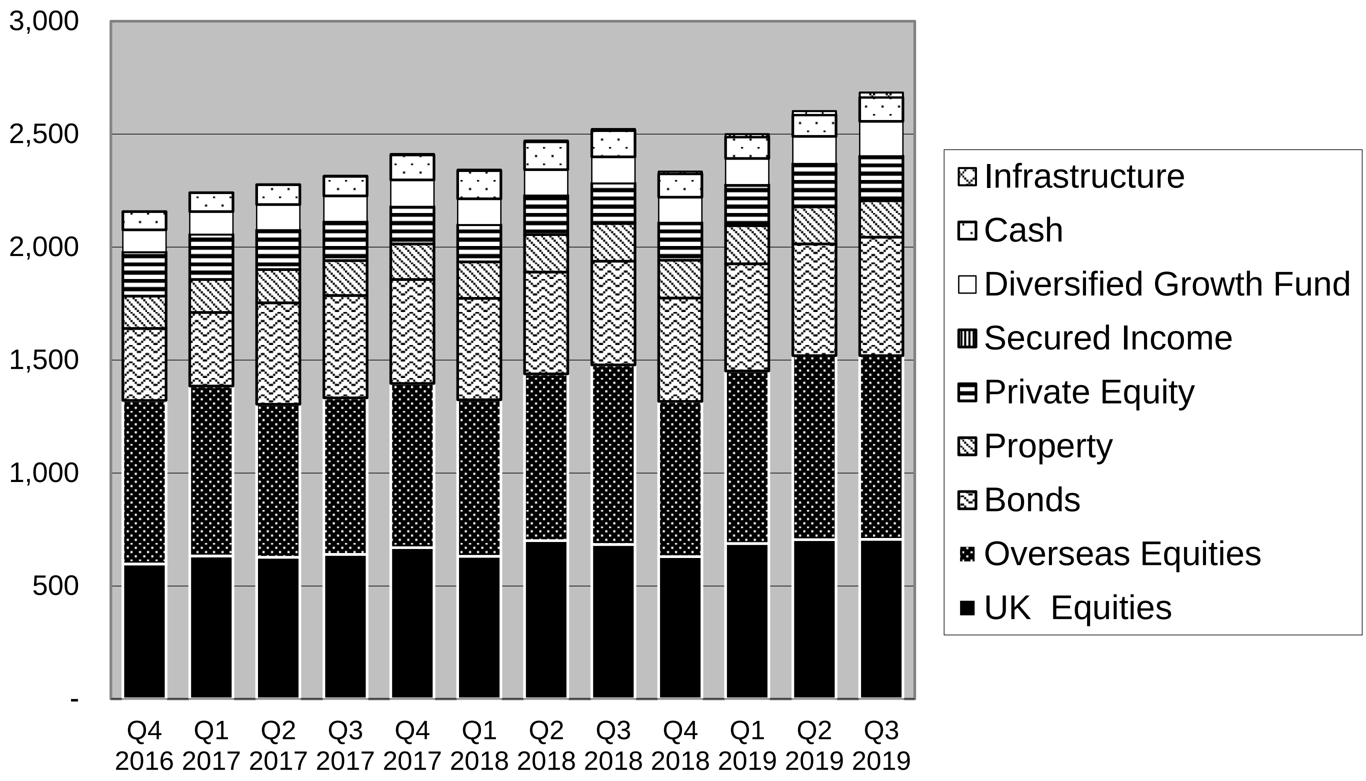
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	HG CAPITAL TRUST PLC	44,288,600	1.65
2	STANDARD LIFE PRIVATE EQ ORD	16,165,633	0.60
3	BMO PRIVATE EQUITY TRUST PLC	14,976,000	0.56
4	3I GROUP PLC COMMON STOCK GBP.738636	13,358,280	0.50
5	TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25	10,692,060	0.40
6	TSY 0 1/8 2068 I/L GILT BONDS REGS 03/68 0.125	10,222,292	0.38
7	TSY 0 1/8 2026 I/L GILT BONDS REGS 03/26 0.125	9,520,284	0.35
8	CANADIAN GOVERNMENT BONDS 06/29 2.25	9,473,783	0.35
9	TSY 0 3/8 2062 I/L GILT BONDS REGS 03/62 0.375	9,405,042	0.35
10	UK TSY 1 2024 BONDS REGS 04/24 1	8,950,266	0.33
11	SWEDISH GOVERNMENT BONDS 05/28 0.75	8,662,673	0.32
12	TSY 0 5/8 2042 I/L GILT BONDS REGS 11/42 0.625	8,592,162	0.32
13	TSY 0 1/2 2050 I/L GILT BONDS REGS 03/50 0.5	8,569,983	0.32
14	US TREASURY N/B 06/24 1.75	8,183,724	0.30
15	TSY 1 1/8 2037 I/L GILT BONDS REGS 11/37 1.125	8,140,460	0.30
16	TSY 0 5/8 2040 I/L GILT BONDS REGS 03/40 0.625	8,009,237	0.30
17	TSY 0 1/4 2052 I/L GILT BONDS REGS 03/52 0.25	7,715,352	0.29
18	TSY 0 3/4 2047 I/L GILT BONDS REGS 11/47 0.75	7,673,431	0.29
19	US TREASURY N/B 05/29 2.375	7,661,072	0.29
20	TSY 0 1/8 2046 I/L GILT BONDS REGS 03/46 0.125	7,522,406	0.28
	TOP 20 HOLDINGS MARKET VALUE *	**227,782,740**	8.48
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 30/09/2019		
1	FP BRUNEL UK EQUITY FUND A ACC MUTUAL FUND	453,224,698	16.89
2	UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	348,077,157	12.97
3	L&G WORLD DEVELOPED EQUITY INDEX	279,388,804	10.41
4	LEGAL AND GENERAL TD CORE PLUS	193,952,630	7.23
5	L&G UK EQUITY INDEX	187,200,756	6.98
	TOTAL POOLED FUNDS MARKET VALUE	**1,461,844,045**	54.48
	TOTAL FUND MARKET VALUE	**2,683,616,955**	

Graph 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 15

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Agenda Item 17

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of the Local Government Act 1972.

Agenda Item 18

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